PUBLIC COMMENTS RECEIVED DURING PUBLIC HEARINGS AND COMMENT PERIOD
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
November 30, 2017

Written public comments were received during the 49-day Public Comment Period, September 11, 2017 through October 30, 2017. Public hearings were held on October 10, 2017 in Oakland, October 12, 2017 in Sacramento, October 16, 2017 in Los Angeles, and October 17, 2017 in San Diego. The comments received at each of the public hearings and the written comments received during the Public Comment Periods are set forth below.

Item #	Section	Public Comments	Staff Comments/Recommendations
	General comments relating to opportunity mapping and regulation changes (comments specific to the four individual proposed changes are listed under the appropriate change [Items 11, 47, 65, and 108])	As far as high opportunity areas are concerned, it is our position that TCAC adopt this policy recommendation. This policy would benefit geographic areas that have not historically received their fair share of affordable housing opportunities due to extremely high land pricing, for example. This policy would promote equitable distribution of affordable housing throughout our county by encouraging developers to look outside of the most dense and urban communities of the county. We believe encouraging affordable housing in all regions of the country would make for a more equitable tax credit program. (Jesus Hernandez, Community Corporation of Santa Monica) We believe family homes in communities which fall into the entire spectrum of the TCAC resource maps are high priority, particularly in light of the extensive gentrification happening throughout the Bay Area. We are supportive of the concept of encouraging the development of family housing in higher resource areas, but believe this must be done in a balanced manner which does not over-incentivize high resource family projects over all other projects. We think a measured and incremental approach is important for the following reasons: 1) The maps and methodology are still in question, particularly in less urban areas of the state. We have developed 14 family projects in Monterey and Santa Cruz County and believe there are serious flaws in the mapping as it applies to the Central Coastal Region. While TCAC received public comment on the maps, at this time we do not know what, if any changes will be instituted by TCAC in the maps. It is difficult to comment on the implementation of the maps if the maps and their methodology are still in question. 2) If adopted, these incentives will be very difficult to undo, even if they prove to be unbalanced. To work, the incentives must remain in place for the long term for developers to be willing to invest time and money on expensive site in a high resource area, and TCAC will be under pressure to continue them. For this reason, we think it is better to work incrementally and assess the effect. 3) If the tiebreaker incentive is too great, we believe that in some regions, particularly the smaller ones, high resource family projects will be able to out-compete other project types, including senior. In light of these concerns, we don't believe that rules to cap further resources to these already struggling areas is appropriate, and don't support this proposal. Very low resource areas have typically gotten	Staff has previously addressed the comments relating to the opportunity mapping methodology and recently released a revised methodology. This document will focus on comments to the regulation change themselves. As described in the relevant sections below related to the specific regulation changes, staff proposes the following amendments to the opportunity proposals: • Withdrawal of the housing type goal for large family new construction projects in the lowest resource areas. • Beginning in 2019, establishment of a 30% housing type goal both overall and within the rural set-aside for large family new construction projects receiving the tiebreaker increase for being in the high and highest resource areas. • Delay until 2019 of the tiebreaker benefit for large family new construction projects located in the high and highest resource areas. • Exclusion of projects competing in the Native American apportionment from the tiebreaker benefit for large family new construction projects located in the high and highest resource areas. • Exclusion of inclusionary projects from both the points and tiebreaker benefit for large family new construction projects located in the high and highest resource areas, unless the project includes at least 30 low-income units that are not inclusionary units. • The ability for a project to utilize the census tract's resource designation from a TCAC/HCD Opportunity Area Map in effect in either of the two calendar years prior to application.

		that way as a result of historic under-funding and discrimination. (Alice Talcott, MidPen Housing) First, we appreciate TCAC engaging in this effort to incentivize new construction large family 9% tax credit projects in high resource areas. We believe that significantly improving access to opportunity and resident choice is a very important goal. It is laudable that TCAC seeks to address the historic over-concentration of competitive tax credits to projects in the lowest resource areas. We have taken a deep interest in the role that housing and place plays in outcomes for the families and children we seek to serve. We have been exploring the linkage between housing and health for several years. The data similarly demonstrates that stable affordable housing in opportunity rich communities are key to individual success. Despite our agreement with the goals of the proposed regulation changes, we must echo the concerns that we have heard from many of the organizations that we represent throughout the state. We recommend that TCAC take very seriously, and work to address, the concerns of the rural affordable housing advocacy community. Through the Rural Smart Growth Working Group (RSGWG), amongst others, there has been significant consideration of the impact that the proposed regulations will have on rural development of affordable housing opportunities. For instance, the RSGWG comment letter highlights that the census tract data relied upon for the regulation changes is often inaccurate for rural communities. It is important to ensure that such a data driven effort relies on the right information. (Tyrone Buckley, Housing California) The majority of concerns we raised in a separate comment period on the mapping methodology remain. In addition, we offer the following general comment and recommendations. Timing of implementation is important. A phase-in period for the new regulations is needed. This will allow developers to adjust and plan ahead to the new requirements while limiting major disruptions to significant investment made prior to these new changes. In consulting with our members regarding the proposed regulation changes, the need for a phase-in period is a consistent message we continue to hear. We strongly agree, especially for regulations changes as substantial as proposed this year, the new regulations should be phased in over time. (Stephen Russell and Laura Nunn, San Diego Housing Federation) The CTCAC focus on addressing the disproportionate placement of LIHTC properties in lower opportunity, high poverty and racially segregated areas is critical. We believe that our clients should be given a wide variety of housing choices -- including the chance to live in neighborhoods where they can access quality schools, jobs, healthcare, and other amenities. However, given California's sheer size and diversity, this necessitates a nuanced and balanced approach to siting of LIHTC properties. We agree with the methodology in the proposed regulations of placing urban and suburban municipalities into low and high resource areas. This approach will allow residents of urban and suburban areas to	• Provide eight site amenity points for large family new construction projects located in both the high and highest resource areas. • Provide a 10% threshold basis limit increase to projects located in both the high and highest resource areas.

		choose whether to remain in their existing neighborhoods or move to other areas in the region. CTCAC must balance this approach with addressing the affordable housing needs in areas that historically have suffered disinvestment. The methodology proposed in the regulations is inappropriate for determining the siting of projects in rural areas. Most of Merced, Fresno and Tulare counties, for example, with the exception of their larger cities, are designated as low resource areas. These areas, however, are disadvantaged due to historic patterns of segregation and disinvestment. Thus, we are concerned that the proposed methodology that is designed to increase equitable siting of LIHTC will, in too many cases, result in the denial of housing resources to communities in dire need of investment. This may result in a perpetuation of segregation in rural communities. We understand that Section 10315(h) sets a 30% cap on the number of projects in low resource areas - implicitly suggesting that low resource areas will continue to receive LIHTC allocations. However, because the cap is not a set-aside, significantly less than 30% of projects could end up being funded in these areas. Because so many applications receive the maximum possible points, the projects that prevail in the tie-breaker will surely be the ones awarded funding. As stated in CTCAC’s analysis, historically, 44% of projects were awarded in low resource areas. Taking into consideration the 20% rural set aside, this change will likely result in a 24% decrease in allocations to low resource areas. Thus, the proposed changes will bar many rural areas from receiving LIHTC developments. Another potential problem for rural areas is the opportunity maps, which do not account for the opportunity differences between rural and urban areas. While rural areas may lack public transportation and significant commercial development, they are close to the agricultural jobs that employ many of the residents of these communities. Additionally, certain amenities, such as high priced grocery stores and private schools may indicate a high resource area, but are often inaccessible to low-income residents. Limiting LIHTC resources in these areas may force rural tenants to move to urban and suburban areas to gain access to new affordable housing. This would reduce housing choice because residents would have to move far from their communities, including their jobs, schools, and health care providers. The opportunity maps not only raise concerns for rural areas, but also for the several areas that are shaded grey and are designated “Missing/Unreliable Data.” This includes portions of East Los Angeles, Santa Clara County, and Kern County. The proposed regulations fail to address how CTCAC will handle the missing data for these particular jurisdictions. As a result, these areas will be at a severe disadvantage as they will be unable to receive tax credits pursuant to the proposed regulations. We have several suggestions to ensure that the LIHTC program continues to invest in rural and other communities. First, a set-aside for high opportunity areas would be more appropriate for rural areas as it would serve to increase developments in higher opportunity areas, while not impeding projects in the rural parts of the state. Second, the opportunity maps should be supplemented with community-based data that can capture, in real time, conditions such as gentrification (which is not reflected in traditional data). Community-	

		based data can also reveal the actual utility of amenities in a neighborhood and impediments to accessing opportunity. Conversely, such data can reveal amenities that are also not captured in traditional data, such as pop-up food markets or informal financial assistance. Many federal and state agencies recognize the importance of community driven data. For example, HUD's new AFFH rule requires that municipalities consider significant community input while preparing their analyses of impediments to fair housing. We urge CTCAC to incorporate such data into its opportunity maps. Third, CTCAC must also take steps to ensure that the properties developed in high opportunity areas are accessible to a diverse pool of low-income residents. This is of particular importance, given that these developments are in areas that have often been resistant to building low-income housing, particularly housing that would serve people of color or people with disabilities. Without proper oversight, we are concerned that properties in these areas may steer particular applicants to their properties or may seek to only serve less "controversial" special needs populations such as the elderly. Thus, CTCAC must ensure that the marketing, application, and admissions processes for these properties lead to opening access, for people of color and people with disabilities, to neighborhoods from which they have long been excluded. Without such oversight, CTCAC risks the perverse consequence of reducing affordable housing for historically marginalized groups instead of increasing housing choice. Fourth, CTCAC should ensure that the regulations incentivize additional investments and are consistent with local, regional, and statewide fair housing strategies, so that LIHTC investments contribute to the creation of true areas of opportunity that allow residents in existing "low" and "high" opportunity areas to thrive. For instance, as mentioned above, unique barriers to opportunity for low-income tenants exist in high opportunity neighborhoods as compared to low-opportunity neighborhoods. A few of these barriers include the high prices of fresh food at grocery stores serving high opportunity neighborhoods and the lack of teachers of color in public high schools, given research showing the importance of teachers of color to the success of students of color. To ensure that LIHTC investments facilitate access to opportunity by residents of those projects, CTCAC could require applicants to identify potential barriers to opportunity for LIHTC residents for projects proposed in both high and low opportunity neighborhoods, strategies and partnerships that the applicant will pursue to facilitate resident success, and the relationship of those strategies to existing local, regional and state fair housing plans, such as Analyses of Impediments to Fair Housing Choice or Assessments of Fair Housing. In addition, we believe that a robust conversation among staff from multiple state agencies that bare on fair housing (e.g., CTCAC, HCD, EPA, CalTrans, etc.), fair housing advocates, residents, academic experts, and other stakeholders is necessary to examine the barriers to housing opportunity in low and high opportunity and urban, sub-urban, and rural areas and develop comprehensive and collaborative strategies to overcome those barriers. In addition to identifying impediments to and strategies to expand opportunities for LIHTC residents such as those mentioned above, they	

		can also provide a forum to identify and develop solutions to barriers to LIHTC investments in high opportunity neighborhoods, such as for example, the lack of appropriate zoning and NIMBY-ism by the public, staff, and elected officials. These conversations can inform the continuing evolution of TCAC and other agencies' approaches to meeting their obligations not to perpetuate discrimination and to expand fair housing choice for all Californians and identify further areas for regulatory and legislative reform. (Kara Brodfuehrer and James Grow, National Housing Law Project; Lauren DeMartini, Bay Area Legal Aid; Mike Rawson, The Public Interest Law Project; Sarah Steinheimer, Legal Services of Northern California; Ilene Jacobs, California Rural Legal Assistance Inc.; Navneet Grewal, Western Center on Law and Poverty; Ashley Werner, Leadership Counsel for Justice and Accountability; Natasha Reyes, Disability Rights California) We maintain the same concerns about the mapping methodology that we expressed during the separate comment period. With respect to the regulation changes themselves, we commend TCAC's efforts to create a better quality of life for low-income Californians across the state but remain wary of the unfair advantage provided to projects located in High Resource Areas. We recommend that TCAC release a statement clearly identifying quantifiable goals associated with high opportunity areas. We recommend for TCAC to adopt the site amenity rule only, to see if this rule alone is able to create a more balanced tax credit portfolio. We request for TCAC to reject the implementation of the basis boost, tiebreaker boost and Very Low Resource housing type goal. This would allow TCAC to assess whether the site amenity solution accomplishes the state's goal to create greater opportunities for residents, while simultaneously maintaining important affordable housing investments in low-income communities. (John Fowler, Peoples' Self-Help Housing) We have serious concerns about the opportunity area proposals. While the approach appears facially consistent with and supportive of fair housing goals, particularly HUD's recent moves to emphasize affirmative local policy and procedure to affirmatively further fair housing, the methodology could potentially cause severe unintended consequences. Many California communities pursue a sustainable development pattern that focuses on infill redevelopment. Many of these opportunities are in areas that would not score as high as neighboring communities due to school or other amenity opportunity shortages. This reallocation of priority by TCAC would cause disinvestment and devaluation of previously targeted neighborhoods and properties. It overrides the local planning and regulatory process, forcing resources out of targeted areas of reinvestment. It unfairly favors large landowners in more affluent, higher opportunity neighborhoods by awarding them greater development potential. The proposed methodology further ignores the impact that shifting to higher opportunity neighborhoods would have on projects costs and fails to capture the value of potentially free or donated public lands. The process would also lead to delays in project timelines since market	

		conditions would not be updated more often than maps are updated. Redevelopment impacts would go unrewarded until the following map update. The use of LIHTC investment to spur growth and development would be impacted since there would be a shift away from these areas of investment. Housing authorities share the federal duty to affirmatively further fair housing. It is not necessary for TCAC to impose an additional filter into the process that is already being undertaking in communities statewide. (Denise Wise, Housing Authority of the City of San Buenaventura) The use of urban-centric indicators and filters, outdated data that does not capture the dynamic nature of opportunity in rapidly changing communities, absence of health indicators, and use of only census tract level data result in an inaccurate representation of real opportunity in rural California communities. The current maps fail to accurately identify areas of opportunity in rural and farmworker communities and the proposed regulations use the same maps to inform policy and investments. This will have detrimental impact statewide. Census tracts in some urban areas might serve as a proxy for neighborhoods, but this certainly is not the case in rural areas, where census tracts in rural California are as large as the state of Rhode Island. We have counted 88 rural jurisdictions, not neighborhoods, but entire cities and counties that according the proposed maps do not contain high or highest areas of opportunity. Fifty (50) of these communities are in the San Joaquin Valley. One of these areas, that are effectively redlined because of the mapping and proposed regulations, also includes the entire city of Salinas. These maps frequently identify vacant, undevelopable, and protected land, such as areas of agriculture, forests, parks, and protected coastlines, as the only areas of opportunity within some rural communities. Our primary recommendation is not to use these maps for rural areas, instead to establish a separate mechanism for rural areas that reflects the expert input of nonprofit developers, advocates, rural data experts, and community representatives to identify real areas of opportunity in rural and farmworker communities. The current proposal is not accurate and should not be used, if at all, before an accurate method identifying rural areas of opportunity has been established. The rural set-aside should be exempt from application of the maps. The application of any of these maps also should be phased in over time for all other projects. In addition to these overall comments, we have additional concerns and recommendations. 1) The proposed regulations institute a de facto requirement to locate large-family 9% projects in “High Opportunity Areas” through the provision of site amenity points, a basis boost, and a tiebreaker boost. The 9% tax credit remains one of the only funding sources available to finance the development of affordable housing in rural communities. Scarcity of funding opportunities for rural and farmworker housing, dire existing and future dire need, combined with such significant changes in the direction of investment through the 9% tax credit program could prove disastrous. The proposed changes amount to the redlining of entire communities and denying the most viable funding source for rural development in the most vulnerable and	

		historically underinvested communities. 2) Housing developers can be competitive for tax credits only if they closely track any program changes and adapt their development pipelines and structure their financing to ensure perfect scoring and highest possible tiebreakers. A tie-breaker advantage for “high-opportunity areas” will, over time, lead to the unintended result that only projects in those “high-resource areas” will end up being awarded credits, and eventually TCAC will only see applications for “high-opportunity areas”. This will be a disastrous result of the proposed regulation changes. 3) The proposed regulations are inconsistent with the TCAC mission and AFFH requirements to create: “a balanced statewide policy approach that increases access for low-income families to high-resource neighborhoods where there historically have been limited affordable housing opportunities, and provides meaningful investments to revitalize under-resourced neighborhoods.” There is no evidence to justify under-investing in these communities or that developers for under-resourced rural and farmworker communities could or would have any so-called high opportunity in which to develop or that residents should or could move. We question the premise that these policy recommendations can be implemented without serious and perverse implications for fair housing. The use of opportunity mapping, or any other tool must be tested for its effectiveness in creating housing choice for low-income families in rural and farmworker communities. Authentic choice in rural areas is not driven by the geographical nuances of large sprawling census tracts that include pockets of high opportunity. Choice is driven by factors such as mobility, family support provision, employment, and sense of home. The proposed Opportunity Maps and regulations fail to create choice in much of rural California. A family project built in the “high opportunity area” of Clovis in Fresno County does not create housing choice for a farmworker family in Mendota or Kerman, just as a project built in a “high opportunity area” of Bakersfield does not create housing choice for a low-income family in Delano or Earlimart. It is imperative that TCAC critically examine data from any TCAC developments that have been built in “high opportunity areas” to gather information about where people previously lived as well as the racial makeup of the resident population. 4) The State should seriously reconsider the impact of equating access to immediate resources in rural and farmworker areas — such as schools, transit, healthcare, and grocery stores — for an inaccurate definition of opportunity. The proposed application of the maps undoubtedly will place housing in isolated communities and force additional transportation burdens, may further remove residents from necessary healthcare, prevent access to healthy foods, and create additional challenges in educational success for California’s most vulnerable community members. TCAC’s existing scoring rewards projects that provide residents with convenient access to services and amenities. This limits transportation costs for residents and further aligns the program goals with other state goals, which seek to reduce greenhouse gas emissions. This proposal alone stands to undermine the entire precedence of the housing and health nexus and the very basis of TCAC’s leadership in creating resource-rich communities. Regulations and incentives also must account for the unique	

needs of lower-income families who will occupy LIHTC units that must be met for them to thrive in “high opportunity areas”. Such areas might have more fresh food vendors than underserved areas, and those vendors are likely to sell fresh food at prices out of reach for lower-income residents. Research has shown that students of color typically have higher high school graduation rates when they have at least one teacher of color before graduating from high school and teachers of color are found more often in underserved communities. The regulations should account for incentives for projects in “high opportunity areas” to consider these and other factors tied to the success of the future residents of the project and include strategies to meet the needs of these residents. These strategies should incorporate existing plans, such as Assessments of Fair Housing and/or Analysis of Impediments to Fair Housing, that identify such barriers and strategies and should have a priority for investing in communities that have suffered disinvestment and other poor land use practices and have concentrations of poverty and race. The residents in these communities cannot be wholesale relocated somewhere else. The needs discussed above are just a few examples of the nuanced nature of the policy solutions required to ensure that tax credit funding contributes to the development of neighborhoods of opportunity that allow residents to thrive, whether in currently defined "low" or "high" opportunity neighborhoods. Such a nuanced conversation or policy development has not occurred. TCAC must involve residents, affordable housing stakeholders, and advocates in interagency policy conversations to allow for the further development of TCAC Opportunity Mapping to better account for the nuanced needs of residents to thrive in lower and higher income areas. Public participation and language access have been absent from this process. The proposed Opportunity Maps and their accompanying regulations discourage investment in the same communities that help banks meet their CRA obligation. The Community Reinvestment Act requires banks to invest in low-income areas where people have suffered from discrimination and been restricted from credit. Because of this landmark civil rights legislation, banks now fulfill this requirement by investing in affordable housing in low-income areas through either purchasing tax credits or lending to a project. CRA obligations are important to ensure bank participation in low-income housing development. The proposed Opportunity Maps and regulations likely will limit financial participation from banks, cutting off critical capital in the tax credit marketplace and reversing the important progress of CRA. (Rural Smart Growth Task Force)

We have long supported policies that deconcentrate poverty and locate projects in areas of existing or emerging opportunity that will benefit not only the prospective residents of these projects, but the regeneration of whole communities. However, we have found the use of urban-centric indicators and filters, outdated data that do not capture the dynamic nature of opportunity in rapidly changing communities, the complete absence of health indicators, and the use of data at the census tract level to have resulted in an inaccurate representation of the true opportunity of rural

		California communities. The current maps fail to accurately identify areas of opportunity in rural and farmworker communities and using such maps to inform policy and investments will have detrimental impacts statewide. Although census tracts in an urban area may serve as a proxy for neighborhoods, this is certainly not the case in rural areas where census tracts may be as large as the state of Rhode Island. To date, we have counted 88 rural jurisdictions -- not neighborhoods but entire cities and counties -- that according the proposed maps do not contain high or highest areas of opportunity. Fifty of these communities are located in the San Joaquin Valley. One of these 'redlined' areas also includes the entire city of Salinas. These maps often identify vacant, undevelopable, and protected land -- such as areas of agriculture, forests, parks, and protected coastlines -- often as the only areas of opportunity within some rural communities. Consequently, TCAC should establish a separate mechanism for rural and farmworker areas – both those in the Rural Set-Aside and those in other geographic regions – that reflects the input of nonprofit developers, advocates, rural data experts, and community representatives in identifying the real areas of opportunity in rural and farmworker communities. Until a more accurate way of identifying rural areas of opportunity has been established, the rural set-aside should be exempt from application of the maps. Furthermore, even if we accepted the premise that the maps are accurate depicters of opportunity, the application of these maps should be phased in over time to test whether they are steering projects into areas of real opportunity and, most importantly, producing better outcomes for residents than the status quo. In addition to these overall comments, we would like to take this opportunity to outline specific concerns about the Opportunity Mapping proposal. In its current form, the proposed regulations institute a de facto requirement for large-family 9% projects to be located in 'high-opportunity areas' through the provision of site amenity points, a basis boost, and a tiebreaker boost. The proposed Opportunity Maps and their accompanying regulations discourage investment in the same communities that help banks meet their CRA obligations. As you are already aware, the Community Reinvestment Act requires banks to invest in low-income areas where people have suffered from discrimination and been restricted from credit. Because of this landmark civil rights legislation, banks now fulfill this requirement by investing in affordable housing in low-income areas through either purchasing tax credits or lending to a project. CRA obligations are important to ensure bank participation in low-income housing development. As a result of the proposed application of the proposed Opportunity Maps, financial participation from banks could decline, cutting off critical capital in the tax credit marketplace and reversing the important progress of CRA. The State should carefully reconsider the impact of equating access to immediate resources – schools, transit, and grocery stores – for an inaccurate definition of 'opportunity'. The proposed application of the maps will undoubtedly place housing in isolated communities and force additional transportation burdens, may further remove residents from necessary healthcare services, prevent access to healthy foods, and create	

		additional challenges in educational success for California's most vulnerable community members. This proposal stands to undermine the housing and health nexus and the very basis of TCAC's leadership in creating resource-rich communities. Furthermore, this also threatens communities' ability to Affirmatively Further Fair Housing. The proposed regulations are not consistent with TCAC's stated intent to create: "a balanced statewide policy approach that increases access for low-income families to high-resource neighborhoods …. and provides meaningful investments to revitalize under-resourced neighborhoods." To stay competitive in the tax credit program, housing developers closely track any program changes and adapt their development pipelines and structure their financing to ensure perfect scoring and highest possible tiebreakers. Thus, it is our concern that giving tie-breaker advantages for 'high-opportunity areas' will, over time, lead to the unintended result that only projects in those high-resource areas will be awarded credits and eventually TCAC will only see applications from 'high-opportunity areas'. And, since it is often the case that 'high-opportunity areas' are also areas where fewer people of color have historically lived, we are concerned that favoring' high opportunity areas' will mean that communities of color will be at a great disadvantage in accessing TCAC units. Additionally, when presenting affordable housing developments to city councils, developers often make the case that the housing is being created for the low-income families within that community. Indeed, some city councils are successful in requiring developers to include local preference for affordable housing. And, on a practical level, low-income rural residents in 'low-opportunity' areas are highly unlikely to uproot from families, jobs, schools, and other amenities to move into 'high-opportunity' areas. Until we have evidence that TCAC developments built in 'high-opportunity areas' are actually housing people who have moved from 'low-opportunity areas' and/or are housing people of color in similar proportion to TCAC developments built in 'low-opportunity areas', we question whether awarding credits based on 'high-opportunity area' status will achieve the desired result. Finally – and perhaps most importantly -- in a time of too few resources, the 9% tax credit remains one of the only funding sources available to finance the development of affordable housing in rural communities. In a time of such scarcity, with such a dire need, making such significant changes to the direction of investment through the 9% tax credit program could prove disastrous. Indeed, the proposed changes amount to the redlining of entire communities and denying the most viable funding source for rural development. In summary, we recommend the following with respect to application of Opportunity Maps. 1) TCAC should not apply the Opportunity Maps as currently constructed to projects competing within the Rural Set-Aside until such time when more granular maps using rural-appropriate data at the sub-Census Tract level or other geographic methodologies are constructed which truly reveal rural opportunity. 2) If TCAC moves forward with the use of the proposed Opportunity Maps for any other regions outside of rural communities, all changes should be phased in gradually. 3) If TCAC moves forward with the use of the proposed	

		Opportunity Maps for any other regions outside of rural communities, TCAC should not make changes to the tie-breaker. We think it would be important to look at data from any TCAC developments that have been built in ‘high- opportunity’ areas to gather information about where people previously lived as well as the racial makeup of the resident population. 4) If TCAC moves forward with the use of the proposed Opportunity Maps for any other regions outside of rural communities, TCAC should not move forward with the proposed changes to amenity scoring based on the location of a project in an area of high or highest opportunity. 5) If TCAC moves forward with the use of the proposed Opportunity Maps for any other regions outside of rural communities, the proposed threshold basis increase may be an appropriate way to incentivize and mitigate challenges of developing in higher-cost areas often associated with higher opportunity. (Rob Wiener, California Coalition for Rural Housing) Easton is a small, rural community (population 2000) in the unincorporated area of Fresno County, about five miles south of downtown Fresno. Easton doesn’t qualify for many types of funding opportunities for various reasons: too close to Fresno, too rural, too high income (census includes the surrounding area raising the actual Easton MHI), lack of local governance capacity to manage grants, and lack of active powers within the Community Services District to provide needed services. One fear is that the Opportunity Map proposed guidelines might become another hindrance for opportunities to Easton pertaining to low income housing. Easton is an established rural community within close proximity of jobs, shopping, medical services, and all the amenities provided by the City of Fresno. The community is comprised of some farm-working families, those who work in the trades, retail, professions such as teaching, or are retired. The school is more than 80% Free-and-reduced lunch and close to 90% Hispanic. Easton has a very low crime rate, an elementary and high school, and is proud of its family friendly living environment. This, combined with the close proximity to Fresno, makes Easton a very desirable community to live in and raise a family. However, there are not enough houses available. Houses on the market are usually sold within weeks, or days, and frequently by “word of mouth”. Rentals are difficult to find. A person very rarely sees “for rent” signs on houses. Lack of housing choices may drive my children away. Sadly, most of my friends’ children have left. Many would love to live in Easton. However, there are not many houses available. Lack of housing is affecting the schools, the small businesses, and overall viability of the community of Easton. As you prepare the guidelines, please remember that a “one size fits all” approach too often results in excluding those the program was intended for, and very often, small rural communities such as Easton. (Sue Ruiz, Easton Community Services District Board President) We understand the benefits of locating family projects in higher opportunity areas, but I encourage TCAC to look at the maps and to	

		consider phasing in the opportunity initiatives over time or with a housing type goal for high opportunity family developments. We feel that the proposed regulations signal a major shift to the 9% program. The most significant unintended outcome of the proposed changes based on the HCD TCAC Opportunity Maps is the strong shift in feasibility on projects currently in the pipeline. Such projects are the products of years of investment by cities, neighborhoods and developers. Most have cash investments (nonrefundable costs of entitlement, design, and remediation) in the millions of dollars. To be "shovel ready' according to TCAC, these projects must have all their approvals, design, subsidies, soft loans, etc. To render them substantially less feasible in a matter of months is a very serious unintended consequence. For this reason alone, TCAC should consider delaying the implementation of the regulation changes based on the maps by one year. We provide other reasons for delay, but this is the largest. This industry is a partnership between developers and funders, local, state and federal jurisdictions, government and the private sector. Radical shifts are hurtful to that partnership and the strength of the industry. We have previously stated that the TCAC/HCD Opportunity Area Maps have serious problems, especially in gentrifying areas and areas where the education outlook is more complex (i.e. large urban school districts). As our inner cities gentrify, these neighborhoods are being hollowed out of low income wage-earner families except for those benefitting from the long term housing affordability of the tax credit program. We acknowledge that a lot of energy has gone into creating the maps, and we still feel that there are serious issues to the maps. However, we feel that less attention has been paid to what results would be if the proposed incentives and disincentives are implemented. We believe that HCD, TCAC or CHPC should look at how funding decisions would have changed if the additional basis boost, tie breaker incentive, and site points. We have not been shown data that the basis boost will improve productivity in wealthy areas, and what its effect will be on reducing overall units produced. Is it at the right size to result in increased feasibility? Similar questions result from the proposed tiebreaker incentive: How would this incentive changed outcomes in past rounds? Is it sized correctly for the results? There is data in past rounds to look at these issues. We agree that the site points issue cannot be fully assessed from past 9% rounds, except if we look at 4% projects that might now have an incentive to leap to the 9% competition if site points are limited. We encourage this to be a data-driven process. Regardless of the decision to move ahead with the opportunity map incentives and disincentives, we repeat our strong recommendation against allowing inclusionary housing projects to compete in the 9% round. These projects must be developed, and have the opportunity to be successful 4% projects (in fact, many of them are). Allowing them to compete in the 9% round, particularly with the incentives being offered, will simply result in a shift from 4% to 9%, not in any new unit production in higher incentive areas. (Sylvia Martinez, Community Housing Works) The use of opportunity mapping – or any other tool – needs to be tested	

		for its effectiveness in creating housing choice for low-income families. Authentic choice in rural communities is not driven by the geographical nuances of large sprawling census tracts that include pockets of high opportunity. Instead, choice is driven by factors such as mobility, family support provision, employment, and sense of home. As currently constructed, the opportunity maps fail to create choice in much of rural California. A family project built in the high opportunity area of Clovis in Fresno County does not create housing choice for a farmworker family in Mendota or Kerman, just as a project built in a high opportunity area of Bakersfield does not create housing choice for a low income family in Delano or Earlimart. Given the acknowledged limitations of the mapping tool for rural areas, we ask that the Rural set-aside in the 9% tax credit competition be exempted from any changes to the tiebreaker. At the very least, we urge any final changes to the TCAC 9% competition to be measured and incremental, which could include accommodations to both amenity points and a basis threshold boost, but not changes to the tiebreaker. Nor should there be any limitations on project funding for areas of perceived low opportunity. We are adamantly opposed to creating a de facto cap on large family projects in perceived low resource areas. This approach will result in disinvestment in our most needy communities, particularly those in rural areas, and will exacerbate the lack of social equity in California. (Thomas Collishaw, Self-Help Enterprises) We urge you to incorporate gentrification into the mapping as quickly as possible. (Heather Peters, San Mateo County) We appreciate TCAC’s efforts to encourage affordable housing developments to be more equitably spread throughout the state and specifically to be located in higher income areas that have not had their share of these developments in the past. We also appreciate all the work that has gone into the research, data collection, and formulation of the current proposals. We agree the currently proposed maps and structure of how to use them are superior to what was proposed last year. However we share some of the serious concerns NPH and CCRH have raised regarding the negative impacts your adoption of these regulations could have, particularly in rural communities. The CCRH letter documents how the adoption of the current maps could effectively mean redlining many areas out of contention for affordable developments. This is particularly significant in rural areas where census tracts frequently cover large geographic areas and many rural communities are excluded from the prized “high” and “highest” opportunity designations. We are also concerned about transitioning neighborhoods where new transit, office or commercial development, and/ or market pressures are gentrifying areas that are currently designated as “low” opportunity zones. It is critical to use our affordable housing developments as a stabilizing force to prevent displacement of current residents into even “lower” opportunity areas further from jobs and community resources. We understand the research about families achieving greater success when moving to resource-rich communities. But we also don’t want to lose sight of the need for a greater	

		societal investment in neighborhoods suffering from poverty and fewer resources. Finally, with the mapping proposals still in flux, we are not prepared to support the inclusion of the overall "high resource area" strategy this year. Our primary recommendation regarding this issue is to delay implementation of the entire suite of proposed opportunity areas until no earlier than 2020. TCAC's proposed scoring related to the maps is starting a healthy conversation about where we site affordable housing. But developers throughout the state have purchased or secured control of sites and invested in predevelopment costs for a pipeline of projects for which they anticipate applying for tax credits in the next couple of years. Those projects should be given a reasonable chance to succeed. And we would have the time to engage our community, including our residents, in the conversation about "high" and "low" opportunity areas and how to best use those distinctions. (Kevin Knudtson and Elissa Dennis, Community Economics) We applaud the regulation changes that will increase incentives for developers to build projects in high opportunity neighborhoods that offer access to amenities such as transit, fresh food, employment opportunities, and educational institutions. Recent research from scholars such as Patrick Sharkey and Raj Chetty confirms that ZIP code all too often determines an individual's health, educational, employment, and housing outcomes. Income alone should hot determine where an individual or family can and cannot live. Creating incentives to increase the affordable housing supply throughout the region, therefore, is commendable. In addition, even in high opportunity areas in Los Angeles, the need for affordable housing as well as supportive housing is overwhelming. (Peter Lynn, Los Angeles Homeless Services Authority) Most of our public housing sites are located in lowest resource census tracts. We are concerned that providing 9% LIHTC preferences for projects located in high resource opportunity areas at the expense of projects in low resource opportunity areas will continue to perpetuate the lack of opportunities for disadvantaged residents living in disinvested high poverty area housing communities. We believe these changes will create significant hurdles for the redevelopment of low-income and public housing sites for large urban public housing authorities. We have been subject to erratic and declining federal funding, and 16 of our sites are in dire need of investment to prevent further deterioration of this obsolete 1940s and 1950s housing stock. The 9% tax credits are an integral part of the financing plan for revitalizing and transforming these communities, without which the proposed redevelopment will either be delayed or rendered financially infeasible. We further believe that the construction of affordable housing is one of the most important investments in lower resource opportunity neighborhoods. These neighborhoods are in desperate need of well-managed, multi-family properties and the services and quality of life that accompany them. We therefore have serious concerns with any proposal to divert funding from disadvantaged urban communities that have historically experienced lack of investment and	

		neglect from governments. For public housing conversion especially, there is an opportunity to not just preserve and expand affordable housing but act as strong anchors for community revitalization and a mixed-income, mixed-use environment. Studies have shown that these investments have a ripple effect in the community, increasing private investment over time, stabilizing families, and improving health, education, and economic outcomes. Our belief is that the disproportionate proportion of affordable housing in low resource areas primarily stems from barriers to affordable housing at the community level as a result of NIMBYism and the higher cost of land in high resource areas. Additionally, in urbanized areas such as Los Angeles, there is not enough density or land in high resource areas to adequately accommodate production needs. We strongly believe that any economic advantages offered to developments in high resource areas must also be afforded to developments and redevelopments in low resource areas that envision transformative outcomes for low-income families. One way to accomplish this would be to award comparable points to transformational and revitalization projects in low opportunity areas. Because large scale public housing redevelopment projects have such a major impact on the communities in which they are located, we strongly believe that these developments should be treated as de facto instances of community revitalization, whether or not there are other revitalization efforts and expenditures planned within the community. (Douglas Guthrie, Housing Authority of the City of Los Angeles) In general, we, as well as most of the cities with which we work, are opposed to the general concept of Opportunity Maps. We all believe that the placement of affordable housing developments should be decided at a local level and encourage TCAC to reconsider the utilization of Opportunity Maps as a component of the proposed 2018 TCAC Regulations. The concept of directing development to “high opportunity” areas runs counter to TCAC’s desire to control project costs, as the cost of land is a significant component of any project, and purchasing less expensive land in a “low opportunity” area should remain one way of controlling project costs. It should be noted that any concentration of projects in “low opportunity” areas was partly a function of the existence of Redevelopment Agencies; previously projects almost always had to be located in a CRA in order to access the necessary gap financing. With the dissolution of Redevelopment, developers have much more flexibility to pursue projects across geographic regions. Investment should be encouraged, not discouraged in “low opportunity” areas, and TCAC should not restrict a City’s ability to select areas for placement of their affordable housing units. However, if TCAC insists on implementing some portion of the Opportunity Maps concept, any new provisions related to developing in high opportunity areas should be phased in and not take immediate effect. Developers throughout the state have been working on sites based on the assumption that they would be competitive for TCAC allocations using the present methodology. Developers should be provided at least two years to anticipate any proposed changes and to submit competitive applications without potentially losing scarce funding	

		in the interim. Furthermore, because such maps would presumably be updated every year, projects should be grandfathered for at least a year, if not longer, in the event that the project location falls out of a high opportunity area. (Bill Witte and Frank Cardone, Related California) We support measures undertaken by TCAC to strengthen the ability of developers to create new large family multifamily rental housing in both federally designated and community-identified areas of investment. In 2016 an area in San Diego received a federal Promise Zone designation covering 6.4 square miles, one of only four in California. According to TCAC's opportunity map, census tracts in the zone are almost exclusively rated as lowest or low resource. A Promise Zone designation prioritizes San Diego's application for federal resources, including those aimed at increasing access to affordable housing. We recommend that TCAC include a mechanism to preserve development applications sited in the Promise Zone. Whether via Community Plan Updates or designations by the local government, jurisdictions often prioritize investments in specific locally identified areas. Under the City's Climate Action Plan, for example, much of the new affordable housing is directed toward Transit Priority Areas. Expanding TCAC's opportunity maps to include federally designated and locally identified areas of investment, or including in the tiebreaker scoring a benefit for development sited in these areas, would preserve developments in neighborhoods prioritized for investment. We support TCAC's efforts to increase access to opportunity for families and also urge TCAC to consider maintaining the ability of local jurisdictions to direct new large family rental housing to areas that have been identified and prioritized for such investment. (Wendy DeWitt, San Diego Housing Commission) The proposed changes relating to the promotion of "Opportunity Areas" is problematic and will have serious unintended consequences. In particular, these changes would result in the substitution of public funds for the private funds currently utilized to build inclusionary housing in the highest opportunity regions. Affordable housing is being built in high-opportunity areas. These take the form of master-planned communities in which national builders are meeting inclusionary requirements by donating land, infrastructure, and providing cash subsidy to affordable housing developers. What Staff may not realize is that the national builders commonly bid out their inclusionary requirements to affordable developers. Under the proposed changes to the Regulations, an affordable developer would be able to draw upon the 9% credits to fill much of the project's funding gap and could offer to pay for the land which the master-plan developer would otherwise subsidize. Accordingly, if these Regulation changes are induced, one of the unintended effects will be the subsidizing of the large publically-traded national builders by TCAC. Moreover, in some areas of the State, foundations have been using private funds to support the development of affordable housing. Again, tapping the limited 9% credit to fund high opportunity areas would supplant private financing with public dollars rather than leveraging them. This is	

		inconsistent with TCAC's purpose and goals. Given the special considerations that the Cities of Los Angeles and San Francisco have in the Regulations, the opportunity area proposal would be irrelevant in those cities. These cities control their own destiny, so to speak, as a result of having their own geographic region and the "zeroth tie-breaker." So two of the largest cities in California are not even a part of the high-opportunity strategy that Staff is proposing. (Arjun Nagarkatti, AMCAL) We continue to be concerned that the maps establishing the various resource areas are flawed. We also note that the research indicates no differences in outcomes between Highest and High Resource areas, so we suggest these areas be combined. We also note that these proposed changes appear to advantage projects in High Resource areas in four ways – through the extra amenity points, the threshold basis boost, additional tiebreaker points, and by capping projects in the "lowest" resource areas. We advocate TCAC taking a more incremental approach to test outcomes, perhaps by starting off with extra amenity points. (Andy Madeira, Eden Housing Inc.) We support providing incentives for locating family housing projects in high resource areas. That said, we believe inclusionary housing projects that are required by local jurisdiction should not receive extra financing incentives through the TCAC program. Allocated 9% federal tax credits are a scarce resource that should not subsidize required inclusionary housing projects. These inclusionary projects are often required in "greenfield" development areas, and typically all of the project's units are restricted by the local government. When these projects are located in high amenity areas, they compete extremely well under the existing TCAC regulations due to the applicability of donated land to the final tiebreaker. These projects do not need further incentives. We propose that that any incentives to developing family housing in high and higher amenity areas not apply to inclusionary projects. Inclusionary projects for this purpose can be defined as projects where more than 50% of units are set aside to meet the requirements of a local inclusionary ordinance. This threshold would differentiate affordable projects that set aside units to meet their own inclusionary requirement vs. projects that are being used to offset the inclusionary requirement of market rate units. (Peter Armstrong, Wakeland Housing and Development Corporation) We strongly support the effort to encourage the development of family housing in areas with low poverty and high performing schools. We see the proposed changes as important steps in that direction. With that said, it is important to put in place a system that can work over a multi-year period and which provides gradual changes in a system that requires 3-4 years to bring projects forward. In addition, we suggest these considerations: 1) The regulations should determine and communicate how frequently the maps will be updated. This understanding could simplify our response to Census Tract Status Change, below. If it were updated every five years, for example, there may be no need to grandfather sites as suggested below. 2) The regulations will need to	

		address the scenario where the status of a census tract declines after site control has been established. Significant predevelopment and acquisition capital is expended based on a site's map status at the time of site control. MHC would recommend the preservation of census tract status for up to five years after site control is established. 3) No mapping system is perfect; for this reason, the regulations should create an appropriate appeals process to address corrections or gaps in information. Yorba Linda, for example, has an incredibly strong school district and very high home values. For the credibility of the mapping tool, it is important to understand why such a high achieving community would not attain Very High Resource status. (Ed Holder, Mercy Housing) We share the concerns about the mapping data and methodology as it relates to rural communities as well as the proposed policy implementation expressed by the California Coalition for Rural Housing. Especially for rural, but not only for rural, communities we are concerned that the proposed policy, while it may be a well-intentioned effort to provide opportunity for individual families who move into tax credit housing, overlooks the community benefits of tax credit investment. Everyone who works in and around the California 9% tax credit program knows, "It all comes down to the tie-breaker." We are very concerned that a tie-breaker incentive for developments proposed in high opportunity areas will soon mean that developers will only bring forward projects proposed for those areas. This would be a disastrous, if unintended, result that would undermine the balance between encouraging investment in high-opportunity areas and continuing to provide meaningful investments in under-resourced neighborhoods that TCAC has stated to be one of its goals. We are particularly concerned about fair housing issues when under-resourced neighborhoods, where the majority population is often people of color, becomes significantly disadvantaged in a program that favors investment in high opportunity areas where that demographic is much less present. Until we have evidence that TCAC developments built in 'high-opportunity areas' are actually housing people of color in similar proportion to TCAC developments in 'low-opportunity areas', we will continue to be concerned about the fair housing implications of the proposed regulation changes. Affordable housing advocates often make the case that new affordable housing developments will serve the low income people in the community where it is being developed. We assuage NIMBYs' fears about attracting "outsiders" by reminding them that every community has the need and responsibility to provide housing for the low income families that already live or work there. Indeed it is not unusual for local governing bodies to require some kind of local preference when approving affordable housing developments. Similar to our concern above, until we have evidence that TCAC developments built in 'high-opportunity areas' are actually housing people who have moved from 'low-opportunity areas', we have to question whether awarding credits based on 'high-opportunity area' mapping will truly provide greater opportunity for people currently living in under-resourced neighborhoods. (Rachel Iskow, Mutual Housing California)	

		We recommend TCAC allow developers to lock in the resources category for a site on the opportunity map at the time they obtain site control, even if this level drops at the time of map revision (e.g., from low to lowest). However, developers should have the option to claim a higher resource level at any time before the application date if the level increases as a result of a map revision (e.g., from moderate to high). (Richard Mandel, California Housing Partnership Corporation) Biola is one of the lowest resource communities. We are 250 acres in a 20,000 acre census tract. I am interested in improving affordable housing in my community. (Dwight Miller, Biola Community Services District) We commend TCAC and those involved for recognizing the need to provide fair and equal opportunities to residents of affordable housing projects. As it has been documented, TCAC Low Income Housing Tax Credit (LIHTC) projects are disproportionately located in underserved communities and the effort to diversify the location of these projects to include more affluent areas is laudable. By opening up previously inaccessible communities to lower-income households, the LIHTC program could play an even bigger role in creating pathways out of poverty, as well as helping to mediate longstanding patterns of racial and class-based segregation. In seeking to direct LIHTC properties to higher-resourced communities, however, it is important to recognize that changing the QAP will not achieve the desired results without attention to the larger set of land use and housing policies at the city level that constrain where developers can find suitable sites and/or obtain affordable housing entitlements. More proactive policies are needed to ensure that cities are adequately identifying land and zoning for multifamily housing that can accommodate LIHTC projects. Specifically, a review of the draft Opportunity Maps indicates that the areas of "highest opportunity" are often the same communities that fail to zone for multifamily housing. To provide just one example, of the 1,592 census tracts designated as "Highest Resource," 10 percent are comprised entirely of single-family homes; 30 percent have fewer than 1 multi-family structure with more than 10 units. While the Opportunity Maps are well meaning, without reforms to the ways in which more affluent communities allow for housing overall, they are unlikely to result in the creation of more LIHTC projects in prosperous areas. In addition, the current map methodology—which focuses largely on static measures of opportunity—does not adequately capture neighborhoods that are in transition. It is critical that future iterations better identify neighborhoods and cities that are experiencing significant job growth and an influx of new residents, since building and preserving affordable housing in these places is critical to prevent displacement and to support a better jobs/housing balance. In addition, these neighborhoods often enjoy much greater access to transportation and services. LIHTC investments in these neighborhoods would better align the state's affordable housing and climate change mitigation priorities, and may also prove to have better outcomes for low-	

		income residents than “high” resource communities in low-density suburbs. In addition, research into the suburbanization of poverty suggests that attention also needs to be paid to identifying areas that may be declining and thus may no longer be as highly resourced; this is particularly important given that suburbs often have less social service infrastructure to support low-income residents’ economic mobility and/or health care needs. Given these realities, while we support TCAC’s policy to encourage development in high resource areas through a priority set aside, we encourage TCAC to delay the use of the proposed tie-breaker until 1) the Opportunity Maps can be updated to better reflect patterns of neighborhood change, transportation access, and job trends, and 2) until the State provides stronger mechanisms to require reluctant communities to accept more multifamily housing. Finally, we encourage TCAC to closely monitor the implications of these new policy shifts on where and how much affordable housing is being built. It is imperative to track and evaluate how these maps will influence the location of LIHTC projects, if at all. To that end, TCAC should make the locations of both approved and unapproved applications during the next round of funding publicly available. This will allow researchers to assess the impact of these maps on their ability to shift more projects to more highly resourced cities and neighborhoods. (Carol Galante, UC Berkeley Terner Center for Housing Innovation)	
1	10302(v)		No changes.
2	10302(aa)		No changes.
3	10302(jj)-(nn)	We support these changes. (J.P. Stocco, Community Housing Opportunities)	No changes.

4	10302(qq)	We see this as a good policy to help preserve affordable housing for the long term. (Caleb Roope, Pacific West Communities) While we are not opposed to this modification in general, we would recommend that TCAC limit the definition of reserves to Replacement Reserves only. Section 8 Transition Reserves and Operating Reserves are not typically required to be transferred to the buyer and may not be needed under the new financing structure. When such reserves are released by the prior lender, TCAC should not require they continue to be held by the partnership if they are no longer required to support the viability of the project on a going-forward basis. (Bill Witte and Frank Cardone, Related California) Eden opposes the proposed change. This change will be in direct conflict with the requirements memorialized in limited partnership agreements that the reserves must be distributed as assets of the partnership when the limited partner exits. Furthermore, we have negotiated specific spend-down rights with our limited partners that allow us to spend the reserves on activities that could include transaction costs and third-party expenses related to exiting the investor, exit tax liability, capital needs, and/or other qualifying costs that we have defined on a project-by-project basis. We will not be able to reconcile this new requirement with existing in-force agreements. For projects that have exited the limited partner investor and are solely owned, we should be able to apply the reserves to the costs of refinancing if we so choose. The proposed language relating to refinance conflicts with the staff comment provided in last sentence of the rationale provided, as the staff comment suggests that reserves could be used for transaction costs. We agree that nonprofit owners should not be expected to come out of pocket to pay these costs. We disagree with the statement in the rationale provided that, "Paying out the reserves is akin to increasing debt on the property in that both reduce the project's financial position." (Andy Madeira, Eden Housing Inc.)	Staff disagrees with the comment that the proposed change should be limited to replacement reserves. Tax credits directly or indirectly pay for reserves, which are intended to benefit the project. As a result, staff believes that distribution of reserves is akin to a distribution of equity that should fall under the transfer event provisions. Staff sees no conflict with provisions in a limited partnership agreement (LPA) that reserves may be spent on project-benefitting activities and specified transaction costs as those funds are not being distributed to partners (except to pay a tax liability which is already allowed by the transfer event provisions). While such a transaction would be considered a transfer event under the proposed change, the transaction would receive a waiver from the transfer event requirements as a result of there being no distribution of net project equity. Staff also sees no conflict with a provision of the LPA requiring distribution of reserves. That may still occur, but it would trigger the transfer event requirements. No changes.
5	10305(e)		No changes.

6	10315	We oppose this change. The special needs housing type goal is consistently exceeded early on in the process at a time when Los Angeles County experienced a 23% increase in homelessness. And the issue is not just in LA, but a statewide crisis. To allow projects that would otherwise qualify as at-risk to impact the already oversubscribed special needs set-aside by allowing those projects to be considered in both set-asides could result in less special needs units built overall. As with other developments that could qualify as more than one housing type for multiple set asides (e.g., a large family special needs project), these should have to choose the set-aside in which they want to compete. (Cristian Alexis Ahumada, Clifford Beers Housing) We agree with these changes. The changes will encourage integrated projects that include units for both special needs and at-risk populations. (Sharon Rapport, CSH)	Staff disagrees with the comment in opposition. First, the at-risk set-aside is decided prior to the special needs set-aside. Any project that qualifies for both would only compete in the special needs set-aside if it were unsuccessful in the at-risk set-aside. In other words, TCAC will fund the project in the at-risk set-aside first if possible. Second, there is no set-aside for large family projects, so the analogy to large family special needs projects is not appropriate. Just like a special needs project serving a homeless population that competes both in the non-profit and special needs set-asides, staff continues to believe that it is appropriate for an at-risk special needs project to compete in both. Such a project could already choose to compete in the special needs set-aside. No changes.
7	10315(b)	While we have no concerns with the changes TCAC staff proposed under this section, we recommend adding “Housing for a Healthy California” to the list of projects falling under the first priority. Assembly Bill 74 creates the “Housing for a Healthy California” program, which uses existing national Affordable Housing Trust Fund allocations to California to create supportive housing for disabled chronically homeless and homeless frequent hospital user populations. It will fund both capital development and rental assistance, and coordinates services funding available under Medi-Cal. While currently a small program, we believe this program furthers the State’s goals of addressing the needs of the most vulnerable populations. (Sharon Rapport, CSH)	Staff concurs that the new Housing for a Healthy California should be added to the list of specified programs. Staff proposes an amendment accordingly.
8	10315(c)		In Section 10315(h), staff proposes an amendment to replace the housing type goal for large family new construction projects located in the lowest opportunity areas with a housing type goal for large family new construction projects located in the highest or high resource areas. Staff further proposes a change to this section to apply the housing type goal for large family new construction projects located in the highest or high resource areas within the rural set-aside. Just as the general housing type goal seeks to balance awards to high opportunity area projects with other housing needs in the overall competition, applying the goal within the rural set-aside seeks to balance such awards within the rural set-aside as well.
9	10315(c)(2)	The proposed changes to the general partner experience requirement within the Native American apportionment alleviate our major concerns about relevant language in previously adopted regulations. Removing any provision requiring tribal entities that do not themselves meet the minimum experience requirements to partner with a co-GP entity in order to be eligible in the apportionment shows that CTCAC recognizes the importance of accommodating sovereign governments providing housing for low-income tribal members. CTCAC further recognizes that there are	Given that some tribal projects may receive HOME funds to fill funding gaps and that acceptance of these funds may require access to the HOME units by non-tribal households, staff proposes an amendment to the tribal household occupancy rule such that up to 20% of units may be occupied by non-tribal households only if required by the HOME program. Projects that receive HOME funds for more than 20% of units would no longer be eligible for the

		existing partnerships that do not necessarily "fit the mold" that have resulted in several successful tribal LIHTC projects in California (and close to two hundred tribal LIHTC projects nationally). It does this by proposing that tribes can partner with a pre-approved developer that, while it may have extensive, relevant experience, has not had ownership interest in previous projects. This flexibility in contractual relationships and partnerships that would meet minimum requirements in these sections allows tribal developers to preserve sovereignty and principles of self-determination that are deeply important throughout Indian Country. (Marie Allen, Travois) The requirement that all projects applying under the Native American apportionment limit occupancy only to tribal households may not be consistent with the State HOME Program. Instead, we suggest the following language: "For projects developed by Tribes that use HOME funds, Native American occupancy restrictions under TCAC should comply with State HOME Program regulations." (Rob Wiener, California Coalition for Rural Housing)	TCAC Native American apportionment.
10	10315(e)		No changes.
11	10315(h) – Very Low Resource Area	I am supportive. (Jesse Slansky, West Hollywood Community Housing Corporation) I strongly support the opportunity area changes. You are using the correct methodology. (William Leach, Kingdom Development) We support the goal of locating more family projects in high resource communities but are concerned about the housing type goal for family projects in lowest resource areas. Parts of Berkeley and Oakland are rapidly gentrifying. (Alicia Klein, Resources for Community Development) We have all been challenged by the proposal to incentivize development in wealthier areas of the state, and to actively de-emphasize development in the poorest regions. We understand the goals of the policy changes. In the best of all worlds, our cities would not be socioeconomically and racially divided. We firmly believe that the 9% tax credit program has the ability to reduce these divisions, by offering housing for working families in all areas, and also by specifically and substantially upgrading the housing and housing choices for working families in poor areas. If TCAC wants to create more balance in the program by 'capping' poor areas, we believe it is only fair for them to also cap the wealthy areas access to the 9% credit. We believe that further study is required to fairly and effectively set these caps, and thus request that implementation of the caps be delayed for one year. We strongly support the proposal to use the transit amenity points to attempt to recognize gentrification although we	Staff withdraws the proposal to create a housing type goal for large family new construction projects located in the lowest resource areas. Staff finds convincing, however, the comments in Section 10325(c)(10) – Tiebreaker Change that the tiebreaker benefit for large family new construction projects located in the highest or high resource areas could result in an imbalance of awards to such projects. While staff remains skeptical that this will occur in the near future, if ever, given the challenges of developing in higher resources areas, staff agrees that a protection against such a result is appropriate. Staff therefore proposes an amendment to establish, for 2019 and later rounds, a 30% housing type goal for large family new construction projects receiving the tiebreaker increase for being located in the highest or high resource areas. In Section 10315(c), staff further proposes to apply this goal within the rural set-aside as well. The delay until 2019 is consistent with the proposed amendment in Section 10325(c)(10) to delay implementation of the tiebreaker change for high opportunity area projects. Staff proposes a further amendment to clarify that a project that receives a tiebreaker increase for being located in a higher resource area counts towards the higher opportunity housing type goal. This reflects the amendment in Section 10325(c)(10) [which will become Section 10325(c)(9)] that allows a project to use the opportunity designation from the year of application or the prior two years. In

		would hope that we can find a more nuanced data point that recognizes revitalization areas and would not be a detriment to rural areas (which have a harder time achieve transit points). (Sylvia Martinez, Community Housing Works) I propose an additional carve-out from the new housing type goal for projects that truly support neighborhood revitalization, including projects in Promise Zones and subject to community plan updates. I also encourage you to look at phasing in the goal. (John Seymour, National Community Renaissance) While we recognize the importance of incentivizing the production of affordable housing in high and highest resource areas, we oppose this change. TCAC recognizes that many of the existing developments that have been built are in lowest resource areas and that it might take some time before developers are able to locate sites in high and highest resource areas. During that time, the great need for large family developments will remain and the production of more affordable housing – even when it is located in areas that are considered lowest resource – is still preferable to the alternatives: overcrowding, substandard housing, and homelessness. Additionally, given the significantly higher cost of land in higher resource areas, such would be detrimental to the already high cost of affordable housing. (Cristian Alexis Ahumada, Clifford Beers Housing) We believe there are a number of potential negative unintended consequences if you establish housing type goals for Very Low Resource Areas versus Higher Resource Areas. In lieu of TCAC's proposal, we suggest implementing this through a preference or a point system, ideally drilling down to a county level. In other words, if two project applications are submitted within the same county, a higher resource area application would receive preference over the lower resource area application. A preference system would ensure that developers are incentivized to seek projects in higher resource areas while still addressing the housing needs of that market area (i.e. county). Yet it preserves the possibility of funding a project in a lower resource area of that county. We do not believe that it is a good idea to have a floor/minimum goal for lower resource areas and cap on higher resource area projects, which essentially is the creation of new setasides. (Scott Smith, Housing Authority of San Luis Obispo) We are concerned that imposing such a hard cap will lead to reduced 9% awards for our large family public housing redevelopment projects, predominantly located in lowest resource census tracts. We appreciate the proposal to exclude replacement housing projects from the calculation, however we would like to better understand how this will be implemented. Large, multi-phased public housing redevelopment projects typically include anywhere between 20% to 100% replacement units under any one phase. We are concerned that this change will end up penalizing public housing redevelopment projects in large urban PHAs if, on a project-by-project basis, replacements units are less than 75% of the total low-income	other words, a project awarded as a higher opportunity project, whether or not it is designated higher opportunity on the map applicable to the year of application, will count towards the goal.

		units proposed in any phase. We recommend that any transformational public housing redevelopment projects in low opportunity areas that have replacement housing as a component piece should be excluded from the 30% housing type goal. (Douglas Guthrie, Housing Authority of the City of Los Angeles) While I understand the desire to incentivize new affordable projects in the higher resource areas in order to allow affordable housing residents more choice in where to live, we encourage TCAC to revisit the proposed regulation changes on this topic. By creating both a housing type goal for new construction large family projects not located in a highest or high resource area and also giving a significant tie breaker boost to new construction large family projects located in highest or high resource areas, the competition becomes too skewed in favor of large family projects in highest resource areas. If the tiebreaker bonus is not eliminated or decreased, then the 30% housing type goal for large family new construction projects located in Lowest Resource should be eliminated or increased. Having both the tiebreaker boost and the housing type goal is too restrictive to projects not located in High Resource areas. (Lesley Edwards, National CORE) Given the acknowledged limitations of the mapping tool for rural areas, we are adamantly opposed to creating a de facto cap on large family projects in perceived low resource areas. This approach will result in disinvestment in our most needy communities, particularly those in rural areas, and will exacerbate the lack of social equity in California. (Thomas Collishaw, Self-Help Enterprises) In the current program, goals really serve as caps that help better assure various housing types receive their allotted tax credits. Under the assumption that a meaningful majority of large family projects are in lower resource areas, this new cap will have the effect of disadvantaging large family projects in general. We think a better approach that will gain more stakeholder support is to establish a highest/high resource goal for large family projects, and then incentivize these projects through the final tie breaker until the goal is achieved. (Caleb Roope, Pacific West Communities) We oppose the creation of a Very Low Resource housing type goal. While we support TCAC's intent to use this rule to create a balanced housing portfolio, this housing type would favor the Los Angeles, San Diego, and Bay Area regions. A quick review of set-asides shows that the vast majority of statewide competitive awards go to these areas. Major funding tools prevent smaller cities or rural areas from having a realistic chance of competing with projects in major metropolitan areas. (John Fowler, Peoples' Self-Help Housing) While this housing type goal does acknowledge the value of transit-rich projects and projects that are primarily replacing existing units, the	

		exclusion fails to account for other priority projects such as those in gentrifying neighborhoods and neighborhoods at risk of gentrification, those designated as Promise Zones, those near rural employment centers, or those in existing disadvantaged neighborhoods where new housing can have a catalytic effect on the community. We encourage TCAC to provide a similar exemption (as the one provided for transit oriented developments) for projects that can document that there are significant investments by the locality, if a site is located in a Promise Zone or a local jurisdiction identified key employment center. There must be a way to ensure that projects meeting important policy goals but are located in very low resource areas should be excluded from this threshold requirement. (Ray Pearl, California Housing Consortium) We urge TCAC to set the goal for Large Family New Construction in the lowest resource census tracts at 40%. We urge a 40% goal for two main reasons. First, as fair housing advocates, we also support reinvestment, including affordable housing development, in racially segregated and economically impoverished neighborhoods. Reinvestment in these neighborhoods can help transform these neighborhoods into communities where residents can access an array of opportunities such as high-quality housing, jobs, schools, transportation and health care. HUD's response to comments to the final Affirmatively Furthering Fair Housing Rule recognizes "the role of place-based strategies, including economic development to improve conditions in high poverty neighborhoods" to address fair housing issues and advocates a "balanced approach" that combines place-based and mobility strategies. We are concerned that a goal of 30% tips the balance too far in favor of mobility strategies at the expense of place-based strategies that support affordable housing developments in lower resource neighborhoods and seek to prevent displacement of low income residents in those neighborhoods. A housing goal of 40% for Large Family New Construction in lowest resource census tracts is consistent with historic averages, would better maintain a balance between place-based and mobility strategies and combined with the mobility strategies reflected in the proposed changes would more vigorously affirmatively further fair housing. As fair housing advocates, we highlight place-based strategies in addition to mobility strategies as the displacement of low-income residents and communities of color in the state's major urban areas is a major concern of residents in those areas. Second, a housing goal of 30% for Large Family New Construction in the lowest resource census tracts could limit affordable housing development and lead to continued segregation in rural areas of the state. Except for larger cities in the Central Valley, large swaths of Fresno, Merced and Tulare Counties are designated as low resource areas in the opportunity maps. A housing goal of 40% in the lowest resource census tracts would better accommodate affordable housing development in rural areas of the state and would be consistent with the goal of eliminating housing segregation. (Scott Chang, Housing Rights Center; Caroline Peattie, Fair Housing Advocates of Northern California)	

Neighborhood Revitalization/Transformation areas that are approved by General Plan updates or meet particular policy goals, Promise Zones and other low resource areas should be excluded from additional threshold requirements. (James Silverwood, Affirmed Housing)

We appreciate the extensive research over the past year to develop a methodology to promote development of affordable housing in high opportunity areas. While we support this goal, we believe it is important to do so through incentives for those developments and not through caps or limitation on developments in low resource areas, at least for the next few years. Specifically, implementation of the cap on family projects in lowest-resource areas should be delayed until 2020 whereas other regulations should be phased in over time. Many low resource neighborhoods are located in communities facing extreme and rapid displacement pressures, such as in and around downtown San Jose and Oakland. It is critical to continue to support affordable housing in those locations to protect the low income households that live and work in those communities and combat the rapid and massive gentrification that is taking place. Also, the opportunity maps and proposed regulations do not recognize lower resource areas that are in Priority Development Areas and on major transit lines that are likely to become higher-resource over time due to gentrification. Lastly, high opportunity and low opportunity zones can also be found directly adjacent to each other despite being within similar job markets, school districts, transit networks, etc. These omissions must be rectified immediately. (Carolyn Bookhart, Resources for Community Development)

We offer the following comments and recommendations: 1) The Large Family New Constructions set aside creates uncertainty. The thirty percent housing type goal for large family new construction projects located in Lowest Resource areas adds another layer of uncertainty and is possibly unnecessary as the incentives to build projects in Highest and High Resource areas are strong enough to attract more projects to these areas. In addition, by adding a cap for this housing type, the regulations are effectively creating a cap for community revitalization projects. 2) The allowance of an exemption to the housing type set-aside for replacement housing should be more clearly defined. This will help to avoid confusion if a project is seeking to replace deed-restricted affordable housing units and/or naturally occurring affordable housing units. 3) There is still a great need to measure for gentrification. While staff attempts to address gentrification via adjusting for projects receiving at least 6 transit amenity points, this tool is just as it is described: a crude proxy for gentrification. This measure fails to take into account several other indicators of gentrifying neighborhoods. It is our understanding that TCAC staff are in the process of working with the mapping team that created the Opportunity Maps to determine ways to track and measure gentrification and we are pleased to hear that this process is underway. Unfortunately, the regulations changes are proposed to take effect before such a tool could be developed, leading to the potential for affordable homes in

		gentrifying neighborhoods to not be built based on their current designation on the Opportunity Maps. The lack of a tool to account for gentrification is yet another reason that the proposed changes should be phased in over time while refinements to address major concerns can be developed. 4) Local plans and zoning must be taken into account. The issue of zoning in High and Highest Resource areas remains a significant challenge for projects in those tracts. We still have concerns about how the regulations can address those barriers, but we recognize that the proposed changes attempt to address them. What is not found in the proposed regulations are ways to account for Lowest and Low Resource areas that are actively using community plans to address and alleviate poverty. Communities working to improve quality of life for residents should be rewarded for these efforts and have access to the resources to build affordable homes as they work toward becoming high opportunity areas. For this reason, we recommend that areas with community plan updates that address poverty, comprehensive revitalization zones, and San Diego's Promise Zone be included as exempt from the 30 percent Housing Type for large family new construction in Lowest Resource areas. (Stephen Russell and Laura Nunn, San Diego Housing Federation) We feel very strongly that implementation of the cap on family projects in lowest-resource areas should be delayed until 2020 whereas the proposed incentives could be implemented sooner. Developers throughout the Bay Area and beyond have already acquired sites based on the assumption that they would be competitive for TCAC awards according to the current regulations. Delaying the implementation of the cap until 2020 and phasing in the other regulations over time will provide developers with enough time to anticipate the proposed incentivizes and to submit competitive applications without potentially losing out on scarce funding in the next several cycles. If adopted, these incentives will be very difficult to undo, even if they prove to be unbalanced. To work, the incentives must remain in place for the long term for developers to be willing to invest time and money on expensive sites in high resource areas, and TCAC will be under pressure to continue them. For this reason, we think it is better to work incrementally and assess the effect. In addition, the opportunity maps and proposed regulations do not recognize lower-resource areas that are likely to become higher-resource over time due to gentrification. This omission must be rectified immediately. In the Bay Area, many of the areas classified as "low" and "lowest" resource are located in downtowns or neighborhoods that are rapidly gentrifying, and where low-income households face significant displacement pressures. In many such instances, building large family affordable developments can be a way to preserve long-term affordability in neighborhoods that will experience dramatic change over the next several years. For instance, downtown San Jose is considered "lowest resource" yet is expected to be the site of billions of dollars of new investment when Google builds a new campus by the Diridon BART Station. It is urgent that TCAC/HCD develop a mapping methodology and regulations that can identify "lowest" and "low" resource tracts in the process of becoming higher-	

		resource in the near future and tailor its proposed regulations to promote large family development in such tracts as a bulwark against gentrification and displacement. In addition, given rural communities' unique needs we urge TCAC to establish a separate process for rural areas that reflects the input of nonprofit developers, advocates, rural data experts, and community representatives in identifying the real areas of opportunity in rural and farmworker communities. Rural areas have unique characteristics different from urban areas. For instance, census tracts in an urban area may serve as a proxy for neighborhoods, these do not translate to rural areas where census tracts may be as large as the state of Rhode Island. To date, CCRH has identified 88 rural jurisdictions (including the entire City of Salinas) that do not contain high or highest areas of opportunity. In fact, the current maps often identify vacant, undevelopable, and protected land -- such as areas of agriculture, forests, parks, and protected coastlines -- as the only areas of opportunity within some rural communities. Until a more accurate way of identifying rural areas of opportunity has been established, the rural set-aside should be exempt from all regulations that reference the maps. We are further concerned that the 30% cap on large family new construction in low resource areas is overly restrictive and that, without changes, could hinder construction of such housing in locations where it is most needed. NPH agrees with and appreciates TCAC's goal of de-concentrating the development of large family developments away from lowest-resource areas but, as currently proposed, these regulations will likely prevent the construction of shovel-ready projects in places adjacent to high/highest resource tracts. San Mateo County is particularly impacted by this proposed regulation as the majority of the County's pipeline is located in public/donated land or in master-planned communities that are not in high/highest resource tracts. We therefore propose exceptions from the cap for large family new construction projects that are in master planned communities and/or located on publicly-owned land. These modest changes would ensure that large family projects can still be built in places like San Mateo County that have public land and/or master planned communities that are immediately adjacent to high/highest opportunity tracts. Alternatively, TCAC could consider applying the cap only to geographic regions that demonstrate an inability to also build family projects in moderate to highest resource areas over multiple rounds. Regardless of the option chosen, any cap on lowest-resource projects should be phased in over at least a 3-year time period in order to allow for current pipeline of projects and to honor investments affordable housing developers have already made in anticipation of future tax credit awards under the current rules. TCAC should also establish a "hold harmless" provision in cases where the level of resources in a tract drops categories in the map revision (e.g., from 'low' to 'lowest') after a developer has purchased the land, so long as it applies for 9% credits comes within three years of the map revision. (Amie Fishman, Non-Profit Housing Association of Northern California) We don't believe that rules to cap further resources to these already	

		struggling areas is appropriate, and don't support this proposal. Very low resource areas have typically gotten that way as a result of historic under-funding and discrimination. (Alice Talcott, MidPen Housing) While we support the goal of building family housing in high opportunity areas, we oppose implementation of the soft cap or tie breaker boost until further analysis and vetting has been completed. There may be some issues around the implementation of the "high opportunity areas." For example, the reliance on census data creates arbitrary boundaries wherein properties on opposite sides of the streets may not both be identified as "high opportunity." Consider adding a buffer and/or an averaging system to the map methodology. Generally we request that the methodology for identifying high opportunity areas be evaluated and adjusted. Important considerations around the methodology have not been fully vetted. For example, how does the analysis account for master plans, future amenities, and planned capital improvements? Given that the maps were recently released, we suggest further vetting of methodology before linking it to regulation changes. TCAC should spend the next year working with developers and the working group to iron out methodology and implications. (Cynthia Parker and Mitch Crispell, BRIDGE Housing) The proposed cap on large family projects in the lowest opportunity areas is acceptable because there is relief from the cap for projects near transit These transit oriented projects are often in gentrifying areas where the affordable housing serves as a mitigant to stabilize the area and prevent displacement. (Kevin Knudtson and Elissa Dennis, Community Economics) If the Opportunity Map concept is to be included at all, TCAC should offer incentives for locating projects in higher resource areas but should not impose penalties for projects in lower resource areas. This is essentially a penalty since historically more than 30% of the annual allocations have gone to Large Family New Construction projects in Low Resource Areas (per the current versions of the maps). A Large Family New Construction project in a Lowest Resource Area with a tiebreaker higher than a Large Family New Construction project that is not in a Lowest Resource Area should not be passed over just because it is in a Lowest Resource Area. Should TCAC insist on establishing this goal (which is effectively a cap), projects which have previously applied for tax credits (but have not been awarded credits) should be exempt from this cap, as time and money has been invested in these projects based on the funding likelihood under the current regulations. As noted above, we encourage a phased in change if TCAC insists on implementing the Opportunity Maps concept to provide developers at least two years to anticipate the proposed changes. (Bill Witte and Frank Cardone, Related California) We submit to you that this proposed limitation is too drastic and may disenfranchise many sites (communities) that are under contract and going	

		through the entitlement process. Similarly, neighborhoods going through gentrification but are deemed Very Low Resource Areas should not be put at a competitive disadvantage. We respectfully request that this proposed limitation of 35% be eliminated or implementation delayed until 2020. In the alternative, we recommend that a goal of 25% be established for Very High and Higher Resource Areas in lieu of a goal cap on Very Low Resource Areas. And that such alternative proposal not be adopted until 2020. We are equally concerned as to the impact of this change on many rural communities throughout California. USDA/Rural Development has a loan portfolio on some 25,000 units in rural California and many of the projects are 30 year old and in need of rehabilitation. Similarly, Rural Development's housing budget (Sec. 515 loans) has been eliminated so that rural communities are nearly totally dependent on the tax credit program. (Patrick Sabelhaus, California Council for Affordable Housing) We believe the exemption from the 30% housing type goal should be expanded in two areas. First, projects that are replacing existing dwelling units, whether deed restricted as affordable or not, should county towards the exemption. The state rationale is to treat the units similarly to rehabilitation projects. Rehabilitation projects can be proposed for units that are either deed restricted or not. The replacement of existing, substandard housing units should be prioritized through the regulations. Second, TCAC should grant exceptions to areas where local governments are making concerted efforts to promote community revitalization. Despite the demise of redevelopment, some jurisdictions are still taking affirmative action and spending local community development resources to improve targeted areas. The development of affordable family housing in these areas is frequently a desired outcome. The high-quality transit proxy for gentrifying communities may not highly correlate with those areas the local governments are looking to revitalize, and the TCAC regulations should not discourage the development of family housing in these areas. (Peter Armstrong, Wakeland Housing and Development Corporation) We believe that the Very Low Resource Cap should be gradually phased in and are aware of a number of reasonable proposals from our trade organizations that could accomplish this. We agree with the exclusion of TOD sites and replacement units from Low Resource Areas, but would also include master plan communities, projects with additive community resources (such as health clinics/child care), mixed income communities (with units above 60% AMI) or sites with demonstrable investment in Low Resource Areas on this list of exemptions or which could find their way through an appropriate appeal process. Phasing in of a Very Low Resource Cap would give TCAC time to address other concerns raised by the mapping methodology. Perhaps among the most significant is the potential exclusion of large cities (like Santa Ana/San Jose) from future large family sites, despite redevelopment/gentrification occurring in these areas. The changes should also recognize that developers have acquired sites and/or invested significant capital in projects, potentially in Low	

		Resource Areas, based on the regulations as they currently exist. (Ed Holder, Mercy Housing) Even if this housing type goal is set near the historical average, it would introduce uncertainty and risk for developers because its effects would be unpredictable from round to round as the level of competition fluctuates and the order of allocations among housing types has different effects by region. We believe that strong and well-constructed incentives alone will achieve the goal of increasing development of large-family new construction projects in higher resource areas, and will do so in a way that is predictable for developers. Therefore, we oppose the proposed 30% housing type goal for large-family new construction developments in lowest resource areas. If TCAC decides to move forward with a housing type goal for large-family new construction developments in lowest resource areas, we urge consideration of two alternative proposals: 1) Phase in the housing type goal over a three-year period, to account for sites that have already been acquired or are in contract and to allow developers to adjust their pipelines; or 2) Exempt developments that have met the definition of site control before the regulation adoption date, so that developments in existing pipelines are not subject to a cap that was not in place at the time of obtaining site control. We also have comments on the proposed exemptions for projects that would not count toward, or be subject to, the housing type goal if TCAC decides to implement it. First, while we understand that the exemption for projects with 6 transit site amenity points is intended to be a crude proxy for gentrification, we urge TCAC to work with outside experts over the coming year to develop a more accurate and evidence-based methodology for identifying lowest resource areas that are experiencing gentrification and are on a trajectory to becoming higher resource over time. TCAC should then create regulations to incentivize the development of large-family new construction communities in these areas undergoing gentrification. Second, while we support the exemption for developments where 75% of units are replacing existing affordable housing as a way to exempt large-scale redevelopment projects providing comprehensive community revitalization benefits, we are concerned that this regulation may not achieve this effect in two common scenarios: 1) projects where the replacement housing is built at a much higher density than the original development, which can be typical with public housing revitalization (e.g., a 40-unit development is replaced by an 80-unit development); and 2) multi-phase public housing redevelopment where all units are ultimately replaced but where individual phases may not, on their own, meet a 75% replacement unit threshold. For this reason, we propose the following: A) Remove the replacement unit percentage requirement if all units from the original development are replaced; and B) If TCAC moves forward with a percentage requirement for replacement units, waive it for individual phases of multi-phase redevelopment projects if applicants can demonstrate that their development is part of a multi-phase redevelopment effort that will replace all of the original units. In addition, while we support exempting large-scale redevelopment projects from any housing	

		type goal because of their community revitalization benefits, we also urge TCAC to establish evidence-based criteria for what should qualify as comprehensive community revitalization, and then create incentives for creating family housing in lowest resource areas. We propose that TCAC and HCD convene a task force of experts for this purpose. (Richard Mandel, California Housing Partnership Corporation)	
12	10315(h) – Special Needs	The combined special needs housing type goal should be 40%. (Ben Rosen, Skid Row Housing Trust) We support combining the SRO and Special Needs housing types but oppose a 30% housing type goal for this revised category. This proposal would reduce the housing type goal from a combined 40% to 30%. The likely result would be decreased opportunities to obtain 9% credits for developments serving special needs households during a homelessness crisis. As many of the special needs units built are for formerly homeless persons, we urge TCAC to sustain its commitment to housing the homeless by adopting a 40% housing type goal for the combined category. (Cristian Alexis Ahumada, Clifford Beers Housing) We support combining the SRO Housing Type and Special Needs Housing Type into one category but oppose the proposal for a 30% housing type for this revised category. This proposal would reduce the housing type goal from a combined 40% to 30%. The likely result would be decreased opportunities to obtain 9% tax credits for developments serving special needs at the same time that Los Angeles County experienced a 23% increase in homelessness, to a shocking number of almost 58,000 persons. Between 2015 and 2017, homelessness in Alameda County increased 39%, and homelessness in Sacramento County increased 30%. We urge TCAC to sustain its commitment to housing the homeless by adopting a 40% housing goal for the combined category. (Supportive Housing Alliance) We support the combination of the SRO and Special Needs housing types, but we object to the combined effects of the proposed 30% housing type goal and reduction in the number of special needs units required to qualify as Special Needs. We were dismayed to note the significant numbers of Special Needs projects that were skipped in both 2017 competitive rounds due to the housing type tiebreaker. We believe that the proposed changes will result in even fewer special needs units being funded than are funded under the current system. We believe the proposed housing type goal will, in and of itself, result in more special needs projects being skipped than under the current regulations. If the special needs definition is also amended to allow as few as 25% special needs units, the special needs housing type could well end up funding fewer special needs units in total than the current regulations. Further, nothing in the current regulations prevents or penalizes a family or senior project from dedicating a minority of its units (25% for example) to serve a special needs population. We are aware of numerous projects that have done so. In the end, we feel that the 25% threshold is a solution in search of a problem and should be	Over the last four years, TCAC has awarded six SRO projects which average a housing type percentage over this time of 2.87%. As a result, the proposed 30% combined housing type goal is already an effective increase of 2.13% to the special needs housing type goal. While staff appreciates many commenters' interest in TCAC funding more special needs housing, staff believes the current percentage of credits going to special needs projects appropriately balances special needs projects with other housing types. TCAC significantly strengthened its commitment to special needs housing by increasing the special needs housing type goal from 15% to 25% just recently, and staff does not support materially altering the percentage further at this time. As with all housing types, the 9% program is simply not large enough to meet the need. No changes

		abandoned. More broadly, we note TCAC's position that the tax credit program should not veer towards exclusively funding special needs projects. However, we do not feel it is good public policy to further constrain the competitive chances of those projects that serve the most needy and difficult to house. The homeless preference in the non-profit setaside and the special needs setaside were intended to ensure that a minimum amount of resources flows to such projects, not set a maximum. In addition, the current proposal runs counter to state and local trends. For example, the State of California is set to pour resources into these projects via both existing programs (VHHP, MHSA / SNHP) and new programs (SB 3 / MHP-SH, NPLH). While some portion of these projects will use 4% credits and bonds, a significant slice will require 9% credits to be viable. In light of these concerns, we recommend the following: 1) The combined special needs & SRO housing type goal should be 40%, which is the combination of the current goals for each housing type. 2) The qualifying number of special needs units for the Special Needs housing type should be set at 49%, which is consistent with HCD's proposed cap for the No Place Like Home Program and which doesn't veer away from the current 50% minimum requirement. (Rob Wiener, California Coalition for Rural Housing) The combined goal of 30% limits the state's ability to serve special needs and homeless households. We therefore advocate for a combined goal of 35%. (Carolyn Bookhart, Resources for Community Development) We are concerned that the proposal to fold the single resident occupancy (SRO) category into the special needs category will result in fewer special needs units overall. Previously, the development goal for special needs units was 25%, and the goal for SRO units was 15%. TCAC acknowledges that almost all SRO projects to date serve special needs populations. Yet, in combining these categories, TCAC has lowered the goal from a total of 40% to 30%. Special needs units, and SRO units especially, are often the only option for immediate placement into housing for individuals experiencing homelessness. Combining these categories and identifying lower total development goal may also result in a disproportionately high number of SRO (as opposed to standard occupancy) projects. This is also a concern given the tie between special needs units and the Coordinated Entry Systems (CES) implemented in local jurisdictions. An individual experiencing chronic homelessness must enter the CES in order to access housing services—special needs, SRO, or otherwise. In a system already facing greater need than supply, it is imperative that TCAC maintain the 40% development goal for the now combined categories. (Dara Schur and Natasha Reyes, Disability Rights California) We propose increasing the special needs combined cap to 40%. The Bay Area has significant new local funding sources targeted to special needs/SRO housing types (i.e., $950 million general obligation bond in Santa Clara County and a significant portion of Alameda County's $580	

		million general obligation bond). We understand that historical production in this category has been limited relative to need, but assert that it should be adjusted upwards to reflect the substantial local funding now available in Bay Area counties that will be able to meet some of the region's pent up demand for these housing types. We also note that No Place Like Home Funding is expected to be available in 2019. (Amie Fishman, Non-Profit Housing Association of Northern California) We support this change, but while we think the 30% housing type goal is adequate to encompass SRO projects, we are concerned that the change to the Special Needs Housing Type definition will increase the pool of projects that will qualify, and that the housing type goal should be increased as well. We suggest 35%. (Alice Talcott, MidPen Housing) We support the combination of the Special Needs and SRO Housing Types into a single Housing Type category on the condition that the combined target of this newly formed category remain at 40% which represents the current combined value of the constituent Housing Types. The preservation of this 40% value will ensure that tax credits are sufficiently allocated to vulnerable populations most in need of affordable housing. (Brian D'Andrea, Century Housing) We support TCAC's proposal to fold the SRO housing type into the special needs housing type. This is reflective of the change in best practices for supportive housing in our field. However, we know that there are several substantive sources of funds likely to be directed soon to the development of special needs housing. While 30% may be the historic average for these projects, we urge TCAC to increase the percentage to 35% to provide some additional space for these new efforts. For most special needs projects, 9% credits are a more natural fit than 4% tax credits, and the QAP should be encouraging applicants in that direction. (Kevin Knudtson and Elissa Dennis, Community Economics) We urge TCAC to set the special needs goal at 40%, rather than 30%. We acknowledge that TCAC receives few applications from the SRO category. Yet, the same is not the case for the special needs projects. In fact, the special needs category is the most oversubscribed of any of the housing types, far outpacing oversubscription in any other category. We do not agree with TCAC staff analysis that, because the SRO category is undersubscribed, a small bump up in the special needs category would account for SRO projects now competing under the special needs goal. On the contrary, the oversubscription to this special needs category reflects developer capacity to build special needs projects, need for the projects, and local and state priority to address the needs of vulnerable residents. In fact, with No Place Like Home funding, potential bond funding for the Multifamily Housing Program for Supportive Housing, and numerous local bonds to create supportive housing, we expect demand for TCAC	

		resources within this special needs category to increase significantly in the coming years, not decrease. These programs are not intended to supplant TCAC funding, but to supplement it. Most importantly, legislators and local officials recognize that the affordable housing crisis is hitting hardest populations included in this category. Homelessness is increasing in our State, as is the number of people experiencing chronic homelessness. While California has long had the highest number and rate of people experiencing chronic homelessness of any other state, we are bucking national trends in seeing increases, rather than decreases, in the number of Californians experiencing chronic homelessness and needing supportive housing. As our homeless population is aging—over one-third are over age 50—studies show homeless Californians are aging at a faster rate and experiencing health conditions housed people 25 years older typically experience. The aging of our homeless population should drive urgency to house people at significant risk of early mortality on the street. At the same time, the number of homeless youth and homeless unaccompanied minors continues to increase at alarming rates. For these reasons, we believe the special needs housing type should reflect the urgency the homeless crisis poses to Californians. A 40% goal would accurately demonstrate commitment to address the very real need among our most vulnerable populations, the capacity of developers to meet this need, and the commitment of TCAC to address the crisis. (Sharon Rapport, CSH) While it may be true that SRO projects rarely if ever reached the full 15% goal, but as one often hears "past performance is no guarantee of future results". Considering the South and West Bay, San Mateo and Santa Clara counties both passed affordable housing funding measures in 2016. In Santa Clara County alone $700 million of the $950 million voter approved housing bond is targeted for the homeless. This is on top of the $100 million Santa Clara County will receive from the State's No Place Like Home program. Thus we believe more special needs housing will be built in the near future rather than less. Furthermore, since TCAC is proposing to lower the percentage of special needs units from 50% down to 25% under Special Needs Housing Type, more housing projects could qualify under the Special Needs housing type. Thus, we ask TCAC to keep the existing 40% for the new Special Needs housing type. (Dan Wu, Charities Housing) We support combining the SRO Housing Type and Special Needs Housing Type into one category, but oppose the proposal for a 30% housing type for this revised category. As noted in the reason description, this proposal would reduce the housing type goal from a combined 40% to 30%. The likely result would be decreased opportunities to obtain 9% tax credits for developments serving special needs at the same time that Los Angeles County experienced a 23% increase in homelessness, to a shocking number of almost 58,000 persons. We urge TCAC to sustain its commitment to housing the homeless by adopting a 40% housing goal for	

		the combined category. (Ben Rosen, Skid Row Housing Trust) We support combining the SRO Housing Type and Special Needs Housing Type into one category. However, it opposes the proposal for a combined housing type goal of 30%, which is a net reduction. The likely result would be decreased opportunities to obtain 9% tax credits for developments serving special needs at the same time that many counties across the state, including Los Angeles, Alameda, and Sacramento, are experiencing increases in their rates of homelessness. New funding sources were intended to create more units, not to supplant existing resources. We urge TCAC to sustain its commitment to housing the homeless by adopting a 40% housing type goal for the combined category. (Amy Anderson, PATH Ventures) While we support the merger of the two housing types, the combined increase of 30% is inadequate to address the clear, demonstrable need for special needs housing. This last round, the Special Needs category was the most oversubscribed of all housing types, with multiple high scoring projects skipped. By our calculations, TCAC received over $43 million in special needs credit request, awarding just over $12 million. This 3.55X oversubscription compares with 3.2X for family housing and 2.79X for senior housing. This is not the outcome our special needs communities and their advocates, nor city/agency partners, expect, particularly as the homeless crisis spirals in the wrong direction. We believe this cap must be increased to 40%, for at least the next five years, as state and local resources continue to align with special needs populations. (Ed Holder, Mercy Housing) We were dismayed to note the significant numbers of Special Needs projects that were skipped in both 2017 competitive rounds due to the housing type tiebreaker. We support the combining of the SRO and Special Needs housing types, but we object to the combined effects of capping the new combined housing type goal at 30% and reducing the number of SN units required to qualify as Special Needs. We believe the proposed housing type goal will, in and of itself, result in more special needs projects being skipped than under the current regulations and result in even fewer special needs units being funded than is currently the case. Further, if TCAC amends the Special Needs definition to allow as few as 25% SN units per project, the SN housing type could well end up funding fewer SN units in total than the current regulations. Further, nothing in the current regulations prevents or penalizes a family or senior project from dedicating a minority of its units (25% for example) to serve a special needs population. We are aware of numerous projects that have done so. In the end, we feel that the 25% threshold is a solution in search of a problem and should be abandoned. While we support TCAC's broad position that the tax credit program should not veer towards exclusively funding special needs projects, we do not believe it is good public policy to further constrain the competitive chances of those projects that serve the most needy and difficult to house. The homeless preference in the NP	

		setaside and the SN setaside were intended to ensure that a minimum amount of resources flows to such projects, not set a maximum. In addition, the current proposal runs counter to state and local trends. Numerous local governments, notably the City and County of Los Angeles, have approved substantial new resources specifically to create permanent supportive housing focused on the homeless in recognition of one of the most intractable housing problems in California's urban centers. The State of California is also set to invest new resources into these projects via both existing programs (VHHP, MHSA / SNHP) and new programs (SB 3 / MHP-SH, NPLH). While some portion of these projects will use 4% credits and bonds, a significant slice will require 9% credits to be viable. In light of these concerns, we recommend that the combined SN & SRO housing type goal should be 40%, which is the combination of the current goals for each housing type. (Richard Mandel, California Housing Partnership Corporation)	
13	10315(i)	We believe this adjustment will allow Solano County along with the other counties to be as equally connected as under the current regional alignment but will provide a better fit from a competitive perspective. (J.P. Stocco, Community Housing Opportunities) We support the new region. It facilitates better competition. We recognize the small allocation but think that overall it is better public policy. (Efren Carillo, Burbank Housing Corporation) I support this change, especially after the fires. (Wah Chen, Insite Development) I support the change. Notwithstanding the lower total allocation of tax credits for the new Northern Region, the new region would be able to receive at least one or two 9% projects per year. This is significant in that of the 41 applications submitted between January 2104 and April 2017, a total of 15 projects received an allocation, all but one of which was from Alameda County. The one exception was a rehabilitation project in Sonoma County in 2014. If current trends continue, we expect that this competition will become more acute with the North Bay being less competitive for credit allocations. At the same time, the need for affordable housing in the Northern Region counties is greater than it has ever been and has just been magnified by the recent North Bay fires. Splitting the North and East Bay region is good public policy. It ensures an underserved region in the Bay Area will be able to compete for needed funding relative to its population. (State Senators Bill Dodd and Mike McGuire; Napa County Supervisor Belia Ramos; Larry Florin, Burbank Housing Development Corporation) The proposed Northern Region is too small to accommodate even a 54-unit project in one round. (Alicia Klein, Resources for Community Development)	While staff shares the concern about the smallness of the proposed Northern Region, it does not believe that this concern outweighs the benefits of improving competition for the affected counties. The proposed region is not much smaller than the existing Central Coast Region, and TCAC twice in the last two years has funded three projects in a round within that region, including a 58-unit project in one of those rounds. With respect to Shasta and Butte Counties, staff does not concur that projects in those counties would be more competitive in the Capital Region. Market conditions seem to have little impact on competitiveness. Under the current tiebreaker system, public funds do. Staff continues to believe that Butte and Shasta Counties are better suited to the new Northern Region. No changes.

		This could not be timelier given the unprecedented tragic events that just occurred in Sonoma and Napa counties. This is good public policy and will help all of these counties compete on a more level playing field while assuring that at least two 9% projects per year are brought to their collective communities. (Caleb Roope, Pacific West Communities) If there is a new Northern Region, Shasta and Butte should not be a part of it. Shasta and Butte would be disadvantaged in this new region. Naming this new region "Northern Region" and throwing in the two most northern non-rural counties along with the four northern Bay Area counties do not make them a region with similar market conditions, which is how the geographic regions were originally formed. In fact, Shasta and Butte are not physically adjacent to the North Bay counties, They are separated by two counties, both of which are in the Capital Region. They are physically adjacent to the northern part of the Capital Region and are much more similar to the Capital region counties -- especially Sutter, Yolo, and Yuba -- which they are indeed geographically adjacent to. The reason for creating these geographic regions is so that all counties are similar in market conditions and can potentially compete better against similar type counties, regardless of what the tie-breaker is. With the current tie-breaker, Sacramento County tends to get the lion's share of the credits, but it is also the largest county by far and, as a result, has the most public funds to provide. Even given that, Shasta and Butte will be able to compete better in the Capital Region because of the similar market conditions and because it is slightly larger, so potentially more than one project can be awarded credits in a round. Further, when you overlay the proposed Opportunity Maps, it makes much more sense for Shasta and Butte to remain in the Capital Region, as those two counties will likely have very few high/highest opportunity areas when compared to the North Bay counties. (Rob Wiener, California Coalition for Rural Housing) We agree in concept and appreciate the rationale for the proposal, but the current proposal is not workable unless more credits could be allocated to the new region. Since the Northern Region would be so small, each round would only fit one small project of 30 or so units. We are not supportive of this policy change at this time. (Carolyn Bookhart, Resources for Community Development) As developers in counties within both the proposed East Bay and Northern Region, we can see the advantage of creating the new region. On balance, however, we are concerned that the new Northern Region is simply too small to be effective. By splitting the credit of two regions into three, it will have the effect of producing smaller projects in all three regions but particularly in the Northern Region. We also note that in the last funding round, two projects from Napa County won awards, and a project in Marin County was highly competitive and passed over only due to the housing type tiebreaker. We believe this demonstrates that projects in the northern counties in the region can be competitive within the current system. We would support this proposal only if the amount of total credit increases,	

		such as if the Cantwell bill passes, allowing a larger apportionment of credit to the region. (Alice Talcott, MidPen Housing) We support this policy foal of ensuring projects are funded in currently low-producing areas. TCAC should continue to encourage all localities to support affordable housing with local dollars. (Cynthia Parker, BRIDGE Housing) The new region would pull counties (and credits) out of the North and East Bay Region and the Capital and Northern Region. The apportionment for the North and East Bay Region would decrease from 10.8% to 7.4%, and the apportionment for the Capital and Northern Region would decrease from 6.7% to 5.7%. The new North Region would have an apportionment of 4.4%. Diluting apportionments for two existing regions is not worth the relatively small apportionment for a new region. (Bill Witte and Frank Cardone, Related California) This is very appropriate given the fact that these counties have suffered major losses and are in need of special and immediate financial assistance in the coming years. (Patrick Sabelhaus, California Council for Affordable Housing) We do not support this change. Although we develop in counties that would be included in the new Northern Region, we are concerned that the remaining available credits in the East Bay would dramatically reduce the number of projects that could be financed, and that, coupled with the housing type goal for large family new construction projects in lowest-resource areas, could mean that projects in equally deserving areas will effectively be uncompetitive. We suggest that this change wait until after regulation changes are made per HUD Affirmatively Furthering Fair Housing and policies are enacted and tested. (Andy Madeira, Eden Housing Inc.) We recommend removing Shasta and Butte counties from the new Northern Region and return them to the Capital Region, where they share more common geographic and policy alignment. We assume TCAC would make any necessary adjustments to credit allocations between the new regions. (Ed Holder, Mercy Housing) We understand the goal of achieving better regional alignment within the geographic apportionments. At this time, we do not intend to comment on the merits of the proposal to separate the North and East Bay counties. In the event, however, that the new region is created, we do not support moving Shasta and Butte Counties into a new Northern Region along with Marin, Sonoma and Napa. Shasta and Butte would be significantly disadvantaged in this new region. Including the two most northern non-rural counties along with the three northern Bay Area counties does not produce a region with similar market conditions, which is how the geographic regions were originally formed. As noted in TCAC's Initial	

		Statement of Reasons, Shasta and Butte are not physically adjacent to the north bay counties; they are separated by two counties, both of which are in the Capital Region. They are physically adjacent to the northern part of the capital region and are much more similar to the Capital region counties, especially Sutter, Yolo and Yuba. The reason for establishing these geographic regions is to ensure that counties with similar market conditions compete against each other in the tie-breaker round and are therefore not unfairly disadvantaged in the competition. While we recognize that in the current Capital Region Sacramento County tends to out-compete Shasta and Butte counties, we believe that these counties will still be able to compete better in the Capital Region. If a new Northern Region is created, we strongly recommend that the counties of Shasta and Butte remain within the Capital Region. (Richard Mandel, California Housing Partnership Corporation)	
14	10317(d)		In light of the passage of AB 571, staff proposes amendments to conform the regulations to the new statute allowing 4% projects seeking state farmworker credits to also receive the 130% federal basis boost if located within a DDA or QCT. The amendment also corrects a cross-reference that was changed by AB 571.
15	10317(g)(1)		No changes.
16	10317(i)(2)		No changes.
17	10317(i)(6)	4% historic rehab projects will have costs higher than average. TCAC should account for historic projects. (Michael Hudson and Owen Metz, Dominium) We oppose applying the high cost test to 4% plus state credit projects. At a minimum, you should count the deeper targeting increases when calculating the ratio. (Ben Rosen, Skid Row Housing Trust) We oppose this change. Existing law, in recognition of the need for deeper subsidies for special needs housing, allows 4% special needs projects to also apply for state credits. These projects take advantage of the additional	The high cost of projects is a threat to the tax credit program. Over the years, TCAC has instituted a number of regulation changes to reduce costs, to incentivize lower costs, and even to cap costs within the 9% program. As the same time, TCAC has been careful to avoid putting too much competitive weight on cost efficiency in light of the need to produce affordable housing in job centers where costs are highest. The 130% high cost test has been an effective limit on costs within the 9% program, and staff continues to believe it should be applicable to the competitive 4% plus state credit competition as well. Staff does not support a phase in of this rule because staff sees no reason why 4% plus state projects should be

		threshold basis limit increases available for deeply targeted projects. By effectively eliminating the deeper targeting increases, TCAC is not incentivizing affordability but rather removing project equity that is necessary to support deeply targeted households. Special needs projects typically include studio units, which are more expensive on a square foot basis, full furniture packages, more durable finishes, and supportive service space. As a result, special needs projects often encounter significant challenges meeting TCAC's high cost test under the 9% program. Significant increases in construction costs and prevailing wage requirements further increase the difficulty. The 4% program currently provides an alternative for such projects due to the availability of basis limit adjustments for deeply targeted units. The proposed change would, in some cases, prevent special needs projects from applying for state credits essential for their feasibility. (Cristian Alexis Ahumada, Clifford Beers Housing) We oppose this change. Existing law, in recognition of the need for deeper subsidies for special needs housing, allows 4% special needs projects to also apply for state credits. These projects take advantage of the additional threshold basis limit increases available for deeply targeted projects. By effectively eliminating the deeper targeting increases, TCAC is not incentivizing affordability but rather removing project equity that is necessary to support deeply targeted households. Special needs projects typically include studio units, which are more expensive on a square foot basis, full furniture packages, more durable finishes, and supportive service space. As a result, special needs projects often encounter significant challenges meeting TCAC's high cost test under the 9% program. Significant increases in construction costs and prevailing wage requirements further increase the difficulty. The 4% program currently provides an alternative for such projects due to the availability of basis limit adjustments for deeply targeted units. In addition, this change would create a disadvantage for 4%+State projects in the high cost test because of the way the developer fee is calculated and included in basis on 4% projects. Because the entire developer fee, which can be quite large on big projects, is included in basis on 4% projects, this entire fee would count in costs for the purposes of the high cost test, whereas on most 9% projects, this amount is capped at $1.4MM. The recent developer fee changes have significantly increased the feasibility of 4% PSH developments, especially 4%+State PSH developments. This proposed high cost test change would greatly decrease and in some cases eliminate the ability for 4%+State projects to gain additional basis by including a high developer fee and contributing back much of that fee as a perm source. The proposed change would, in some cases, prevent special needs projects from applying for state credits essential for their feasibility. (Supportive Housing Alliance; Ben Rosen, Skid Row Housing Trust) We oppose this proposed change. Now is not the time to be expanding the application of the high-cost test to 4% applications and in fact we urge TCAC to eliminate and/or reconsider the use of this tool altogether for	more expensive that 9% projects already subject to the test. It is important to clarify that the exclusion of the threshold basis limit increases for deeper targeting relates only to the high cost test. Projects with deeper targeting would continue to have higher limits on the amount of basis they may request. Including the threshold basis limit increase for deeper targeting in the calculation of the high cost test would render the test meaningless because the 4% plus state competition effectively requires deeper targeting, and the increases are substantial. Development costs are not directly related to deeper targeting. And to the extent that special needs projects have somewhat higher costs due to service space, furniture, etc., the regulations already provide a 2% increase to a project's threshold basis limit (and therefore high cost test) for special needs projects. Staff does not find the fairness arguments compelling. A 4% credit project may remain immune from the high cost test by not seeking competitive state credits. It is the applicant's choice to apply for the very scarce and competitive state credits. Staff notes that the comment on historic rehab relates more appropriately to the increases to threshold basis limits allowed in Section 10327(c)(5), rather than to the high-cost test directly. Nonetheless, staff is not in favor of creating an increase for historic projects and believes the high-cost test should still apply to such projects. Staff finds compelling the argument that projects taking advantage of the higher developer fees for 4% projects are penalized. Staff proposes an amendment such that the high cost test for 4% plus state credit projects shall exclude from the total eligible basis numerator the amount of developer fee in basis that exceeds the project's deferral/contribution threshold described in Section 10327(c)(2)(B). In other words, the amount of developer fee above the cash-out fee limit will not count against a project. With respect to the comments about the threshold basis limit methodology itself, that is an administrative function outside of the purview of these regulation changes. In publishing the limits for 2018, staff does not intend to alter the methodology in a significant way but may, in light of the acknowledged spike in construction costs, consider one-time adjustments to the results.

		containing costs. This high cost limit structure is extremely problematic overall in that the Threshold basis limits inherently lag behind actual costs. These limits are based on historical data while projects are dealing with current market prices. This disconnect is especially problematic given the current inflation rates of 5-10% per year that our industry is experiencing with construction costs, particularly in the SF Bay Area, a situation that will continue to get worse as the rebuilding efforts in the North Bay begin to get underway. For instance, projects located in urban, infill locations are typically required to carry higher construction costs, even though these products are also quite often extremely efficient in terms of density and in terms of building within existing developed areas. Such projects are more likely to reach 4-6 stories, achieving high numbers of units per acre and maximizing energy and resource efficiencies. However, to accomplish these benefits, these projects often require additional costs that non-urban infill projects don't require, such as cranes, manhoists, street closures and permitted parking. Finally, while counties like Alameda and Santa Clara Counties, are directly impacted by the same construction market pressures, limited contractor pool, and lack of labor supply felt in San Francisco, the basis limits for Alameda County are over $100,000 lower than those of San Francisco. This inequity makes it almost impossible to build a 9% project in these Counties within the high cost limits. While we strongly encourage TCAC to reconsider implementation of the high cost limits on any project, at a minimum, TCAC must deal with the lag by immediately instituting an inflation factor on any current published TBLs to reflect the current construction market. In addition, the issue of applying high costs tests to 4% plus state credit applications is unfair to projects that are not located in DDA/QCTs. While we understand that projects that projects have to meet additional competitive factors such as deeper affordability and site amenities, on the whole they are minimally different from 4% projects that are not in DDAs/QCTs. Therefore, we assert that it is incongruous to apply the high cost limits to this small subset of 4% deals simply due to the fact that they aren't in a DDA/QCT. (Amie Fishman, Non-Profit Housing Association of Northern California) Like other industry stakeholders, we are concerned about the increasing costs of creating affordable housing. As has been well documented by the State's high cost study, many factors that contribute to higher costs are beyond the direct control of developers. As it relates to this proposed change, we encourage TCAC to "phase in" this change to mitigate the impact on developers working on current 4% plus state credit deals. Further, we encourage TCAC to consider modifying its methodology for calculating Threshold Basis as current basis limits bear little resemblance to market realities. With TCAC's new methodology for adjusting developer fee, developers have been further adversely impacted by many cost factors that are outside their direct control. We believe it is time to reevaluate Threshold Basis Limits and the various allowable adjustments. (Brian D'Andrea, Century Housing)	

		We are globally concerned about the threshold basis limits being too low. Construction costs are increasing 10-15% per year, and the threshold basis limits are not keeping up. The costs are not an accurate reflection of the market because they blend costs from multiple prior years, which doesn't capture the dramatic increases we are seeing in construction costs. We recommend removing the high cost test for both 4% plus state credit and 9% applications; at a minimum return the appeals process for projects that are in excess of 130% of threshold basis limits. (Cynthia Parker, BRIDGE Housing) We oppose this change. Special needs projects using tax-exempt bonds and State credits in Qualified Census Tracts or Difficult to Develop areas tend to be deeply targeted, often for people experiencing homelessness and barriers to housing stability. The proposed changes would eliminate a strong incentive for deep affordability. Supportive housing often encounters significant challenges in meeting TCAC's high cost test under the 9% program. CSH takes issue with the misleading statement that, "[A]ffordability has very little or nothing to do with a project's development cost." In our experience, supportive housing projects have higher development costs than affordable projects built to serve higher-income populations. Supportive housing projects must include community and services space, not required of affordable projects. These costs drive up per unit costs. Special needs projects typically purchase full furniture packages for all units and developers often select more durable finishes for cabinets and other features within the units. Finally, the entitlement and community approval processes often take longer and are more expensive than affordable projects serving higher-income populations. Supportive housing developers have sometimes balanced these additional development costs with developing in areas with fewer siting obstacles or communities with lower rates of community engagement. Yet, TCAC goals include incentives for integrating projects into communities with greater opportunities for employment, education, and transportation. This change would remove incentives to locate special needs projects in areas with these opportunities, areas that are more expensive. Significant increases in construction costs throughout the market, as well as requirements for payment of prevailing wage and/or project labor agreements, are further increasing the difficulty in meeting the high cost tests. TCAC regulatory changes are not keeping pace with these increased costs. The 4%+State program currently provides an alternative for such projects due to the availability of basis limit adjustments for deeply targeted units, and offering an incentive for developers to build these units. We therefore urge TCAC not to enact the proposed change. (Sharon Rapport, CSH) We don't object to applying the high cost test to 4% plus state credit applications, however, we do not support the high cost test (as currently implemented), even for 9% projects. Either the 130% high cost limit needs to be increased (and developer fee not penalized by the cost factor) or threshold basis limits need to be increased across the board to more	

		accurately reflect the true cost of building in each region. The high cost test and threshold basis limits are not adequately accounting for the current construction market across the State, particularly in the Bay Area. (Bill Witte and Frank Cardone, Related California) We oppose the use of the high cost test for projects that use 4% tax credits with state credits. This would impose the high cost test for special needs projects that are "double dipping" even though the double dip rules award state credits to these projects in a non-competitive fashion. If the ultimate decision is to apply the high-cost test to projects that are accepting 4% competitive State credits, we are not supportive of eliminating the deep targeting threshold basis adjustments from the high-cost test, as it is likely that the project was structured to include deep targeting, in part, to increase the threshold basis and high-cost limits. (Andy Madeira, Eden Housing Inc.) We oppose this change for a few reasons. First, special needs projects tend to have higher costs due to small unit sizes, furniture packages, and additional community spaces necessary to accommodate on-site Intensive Case Management Services. Not to mention, 4% projects, generally, have higher financing costs related to the cost of issuance of the bonds. Second, PV is experiencing significant increases in construction costs throughout the market, as well as increasing requirements for payment of prevailing wages and/or use of project labor agreements, further increasing the difficulty in meeting the high cost tests. Labor and material costs are further projected to substantially increase over the next year due to the need to rebuild in northern California and elsewhere catalyzed by disasters. The 4% program currently provides an alternative for such projects due to the availability of basis limit adjustments for deeply targeted units. Another way to address this concern would be to update the modeling to determine the threshold basis limits to look at trends rather than history. Finally, TCAC recently changed in its regulations to make 4% projects more feasible by allowing all of its developer fee to be included in basis. This change has been very helpful in filling financial gaps. By now requiring 4% plus state projects to meet the high cost test, without the affordability boosts, effectively eliminates the ability to fill financial gaps with contributed developer fee, as developers will need to balance the high cost test with their financial needs to build the project. We anticipate the proposed change would, in some cases, eliminate the access of Special Needs projects to State Credits essential for their feasibility. (Amy Anderson, PATH Ventures) While we agree that a cost test is appropriate for both 9% and 4%, we have two primary concerns with this change. First, it needs to be phased in so that projects which have been progressing without this cap can proceed without penalty. We would recommend a one-year delay in implementation. Second, as noted previously, basis limits do not accurately reflect the cost escalation being experienced across all markets in the State. We would encourage TCAC to create a mechanism which	

		evaluates and adjusts these limits at least annually. (Ed Holder, Mercy Housing) We do not support the application of the high-cost test to 4% plus state credit applications. While we realize that 4% plus state projects are competitive and need to meet certain competitive application criteria, 4% plus state projects should not be held to a cost standard that 4% projects that are in DDA/QCTs do not have to meet. We do not agree that non-DDA/QCT projects should be treated differently with regard to costs. We recommend elimination of the proposed high-cost test for 4% plus state projects. (Richard Mandel, California Housing Partnership Corporation)	
18	10320(b)(1)		No changes.
19	10320(b)(2)		No changes.
20	10320(b)(5)	This change could be onerous to developers taking over properties in California. We propose that management groups currently managing LIHTC properties in California be exempt from this approval. (Michael Hudson and Owen Metz, Dominium) Management of tax credit properties is a critical concern for low-income tenants. Advocates report tenants receiving notices to evict without good cause, harassment from management, impermissible rent increases, significant mis-handling of re-certifications, and a lack of tenant screening policies, among other issues. Accordingly, we support CTCAC increasing oversight of LIHTC property management upon turnover. However, we urge TCAC to add additional requirements and oversight, including for current management, particularly after the 15-year compliance period. Often, even experienced management companies engage in improper practices; heightened training requirements and standards should be uniform across companies. Most of the Federally subsidized housing programs have a grievance process to provide oversight should a tenant believe that management has made an improper decision or action. CTCAC should consider implementing such a process to ensure that the laws and regulations governing LIHTC properties are applied uniformly and appropriately statewide. Additionally, the regulations do not address what factors will be considered prior to approval of a new management company. It is imperative that CTCAC consider whether, for example, a management company has been subject to complaints to CTCAC or to Department of Fair Employment and Housing or to a lawsuit. Such red flags should bar the management company from approval. (Kara Brodfuehrer and James Grow, National Housing Law Project; Lauren DeMartini, Bay Area Legal Aid; Mike Rawson, The Public Interest Law	Staff disagrees that management companies managing a single LIHTC project in California should be exempt from approval. First, TCAC may want to disapprove a company with significant compliance issues or with significant judgments pending or decided against it. Second, TCAC cannot know whether or not an in-coming management company has any experience if there is no notification and approval process. Third, except in cases of significant compliance issues or significant judgments pending or decided, TCAC intends to approve management companies with limited experience for 4% projects subject to the training requirement. The requirement is not onerous. With respect to tenants, TCAC's compliance program focuses on holding owners and managers accountable for applying the correct rent and utility allowances, for admitting only qualified households, and for maintaining the property. TCAC staff is not in a position to review an owner's or manager's decision to reject an applicant, pursue an eviction, or otherwise manage the property, let alone conduct grievance procedures for almost 300,000 units. No changes.

		Project; Sarah Steinheimer, Legal Services of Northern California; Ilene Jacobs, California Rural Legal Assistance Inc.; Navneet Grewal, Western Center on Law and Poverty; Ashley Werner, Leadership Counsel for Justice and Accountability; Natasha Reyes, Disability Rights California) We support this change. (Alice Talcott, MidPen Housing)	
21	10320(d)		No changes.
22	10320(e)	We support CTCAC codifying the statutory mandate of CA Health and Safety Code §50199.14(f), which prohibits entering into qualified contracts. This is an important step in ensuring long-term affordability in California's LIHTC program. (Kara Brodfuehrer and James Grow, National Housing Law Project; Lauren DeMartini, Bay Area Legal Aid; Mike Rawson, The Public Interest Law Project; Sarah Steinheimer, Legal Services of Northern California; Ilene Jacobs, California Rural Legal Assistance Inc.; Navneet Grewal, Western Center on Law and Poverty; Ashley Werner, Leadership Counsel for Justice and Accountability; Natasha Reyes, Disability Rights California)	The Initial Statement of Reasons did not accurately state the rationale for this proposed change. The proposed change setting forth TCAC's practice to disallow qualified contracts codifies the long-standing state law (Health and Safety Code Section 50199.14(f)) prohibiting qualified contracts, which applies to pre-2018 projects regardless of any regulatory statement on the matter. No changes.
23	10322(e)		No changes.
24	10322(f)		No changes.
25	10322(h)(5)		No changes.
26	10322(h)(9)		No changes.
27	10322(h)(10)		In recognition of the proposal to give tiebreaker benefit to hybrid projects, staff proposes an amendment to this section to allow hybrid projects to submit a single, combined market study. If the projects submit separate market studies, the amendment further requires that each market study reflect the other hybrid component

			development as a project in the planning or development stage.
28	10322(h)(21)	In general, we support the expanded use of the CUAC. We suggest expanding the language to include the following "…(iii) existing tax credit projects with new photovoltaics installed through the Multifamily Affordable Solar Housing (MASH) program or a solar program administered by a municipal utility or joint powers authority, where awards offset tenants' area electrical load, *and/or solar incentive programs administered by the California Energy Commission (CEC) or designee*." This should cover new solar funding from AB 693, an important new resource for developing sustainable projects. (Thomas Collishaw, Self-Help Enterprises) To cover new solar funding from AB 693, we suggest expanding the language to include the following "…(iii) existing tax credit projects with new photovoltaics installed through the Multifamily Affordable Solar Housing (MASH) program or a solar program administered by a municipal utility or joint powers authority, where awards offset tenants' area electrical load, *and/or solar incentive programs administered by the California Energy Commission (CEC) or designee*." (Rob Wiener, California Coalition for Rural Housing) We support the goal of increasing the use of project-specific utility allowances (UAs) so that energy improvements can bring financial and other benefits to tenants, make affordable housing more sustainable, and reduce GHGs. But such a desirable policy should proceed only if the proposed UA methodology has been independently demonstrated to be more accurate, and if the implementation process includes appropriate tenant protections to prevent any significant rent increases resulting from decreased UAs resulting from CUAC. Because the proposed policy currently lacks these elements, we recommend that CTCAC not adopt these proposed changes at this time. We are especially concerned that, if any expansion of CUAC is authorized, tenant protections that address significant rent increases (beyond simple notice) be guaranteed. Some resulting financial harm to tenants is likely, because most owners will elect to use CUAC only if it lowers UAs and increases cash flow, as compared to the prior public housing authority-based UA schedule. We have seen situations where this methodological difference alone could range as high as $70 monthly. When the impact of the prior CUAC-MASH on tenants' net financial benefits is clarified by evaluation of the data at participating properties, TCAC should then assess what tenant protections are necessary. Although we share CTCAC's goals, we recommend the agency defer adoption of any CUAC expansion until these substantial concerns are properly evaluated and addressed. (Kara Brodfuehrer and James Grow, National Housing Law Project; Lauren DeMartini, Bay Area Legal Aid; Mike Rawson, The Public Interest Law	Staff is sensitive to the argument that the accuracy of the CUAC for existing buildings has not been established. That said, such a test is difficult if there are few existing buildings utilizing the CUAC. Staff believes the best course forward is to limit the expansion of the CUAC for rehabilitation projects to those that include more significant energy efficient improvements or that add solar, which will provide the most energy savings to tenants to mitigate any inaccuracies. Staff proposes an amendment to allow only those rehabilitation projects improving energy efficiency by at least 20% or including solar that offsets at least 50% of tenant loads to utilize the CUAC. Staff will then encourage the California Energy Commission to conduct a study of the CUAC model as it relates to existing buildings and refine the calculator as needed. In order to prevent rent shocks to tenants, staff further proposes an amendment to require that any decrease in a tenant's utility allowance that results from conversion to the CUAC not exceed $15 per month over any 12-month period. This effectively requires the phase-in of large utility allowance changes. Staff is aware of the pending switch to Time of Use billing rates. While the CUAC model cannot accommodate such rate structures, TCAC's contract sustainability consultant believes that the results of the current CUAC will be reasonably close to any model that did use the Time of Use rates. Moreover, the National Utility Allowance Calculator (NUAC) is in development, and is being designed to accommodate Time of Use rates at a later date. Once available, staff will evaluate the NUAC for potential use in California to address this concern. Staff is monitoring the development of the AB 693 program but is not prepared to open the CUAC to the new program until the details are known. When the Public Utilities Commission finally adopts the program, TCAC will reconsider allowing the use of CUAC with the new program at that time.

		Project; Sarah Steinheimer, Legal Services of Northern California; Ilene Jacobs, California Rural Legal Assistance Inc.; Navneet Grewal, Western Center on Law and Poverty; Ashley Werner, Leadership Counsel for Justice and Accountability; Natasha Reyes, Disability Rights California) We support this change. (Alice Talcott, MidPen Housing) We support the goal of increasing the use of project-specific UAs so that energy improvements can bring financial and other benefits to tenants, make affordable housing more sustainable, and reduce GHGs. But such a desirable policy should proceed only if the proposed UA methodology is demonstrated to be more accurate, and if the implementation process includes appropriate tenant protections to prevent any significant rent increases resulting from decreased UAs resulting from CUAC. We recommend that TCAC not adopt the proposed changes, for three primary reasons. First, the CUAC has not been adequately verified as accurate for predicting average tenant utility consumption and cost across a wide variety of existing properties (other than those that were newly constructed since 2009) and climate zones. Extending the use of the CUAC to rehabilitation projects should not be permitted at this time. Estimating energy usage for existing buildings is complicated and consistency in the accuracy of individual project energy use predictions can be very inconsistent, requiring adequate verification of the model with respect to the housing inventory and climate zones proposed for use. Any significant deviation in the accuracy of energy modeling can potentially harm low income tenants if energy use and cost predictions are under-estimated. Encouraging a shift in UA methodology for existing properties to CUAC from PHA schedules only increases the risk of financial harm to tenants, because only those owners who would benefit from CUAC in the form of a lower UA will undertake the invitation to use it to increase cash flow. Second, it is not clear that the existing CUAC has the capability to handle the TOU rate structures that now apply within IOU jurisdictions. Tenants at properties with solar will be subject to mandatory conversion from existing rate structures to TOU rates. Others might elect TOU rates in lieu of tiered rates. Hence, the CUAC model must have the capabilities to estimate costs under the TOU rate structures that will apply to tenants. TCAC should not authorize use of the CUAC where a TOU or other rate structure applies that is beyond what the model can process. Additionally, there are a variety of other rate structures as well as solar valuation policies other than net metering. For example, LADWP has a Feed In Tariff. If properties with solar projects in LADWP's jurisdiction will be able to use CUAC to adjust utility allowances, then we need to know how the FIT valuation will be scored in the model. Third, if any expansion of CUAC is authorized, tenant protections are essential. Some resulting financial harm to tenants is likely, because most owners will elect to use CUAC only if it lowers UAs and increases cash flow, as compared to the prior PHA UA schedule. Based a few isolated cases we have seen, in some properties this methodological difference alone could range as high as $70 monthly. TCAC committed to revisiting this issue when it was	

		raised during the previous expansion of CUAC to existing properties with MASH tenant load solar. When the data is provided, we plan to perform a study of how the CUAC MASH affected tenants' net financial benefits, after consideration of the intended solar credits and any adjustments to UAs. When the impact is clarified through this study, TCAC should revisit the issue of what tenant protections are necessary. Although we share TCAC's goals, our recommendation is to defer adoption of any CUAC expansion until these substantial concerns about CUAC accuracy for the intended stock, functionality for applicable rate structures, and tenant protections are properly evaluated and addressed. (James Grow, National Housing Law Project; Wayne Waite, Waite & Associates; Maria Stamas, Natural Resources Defense Council) Given the high PHA utility allowances in many jurisdictions, this will improve the financial feasibility of many rehab projects by incentivizing a closer look at how to improve energy efficiency. (Patrick Sabelhaus, California Council for Affordable Housing) We are supportive of this change. However, we strongly urge TCAC to expand the use of the CUAC, not only for rehabilitation projects that install solar, but to projects with newly installed energy efficiency measures. As part of our rehabilitation scope development and implementation, we perform thorough energy modeling studies, testing, and commissioning, and frequently exceed the 10% minimum efficiency improvement. With such thorough testing, we would hope that TCAC would have sufficient evidence to allow us to utilize the CUAC to adjust post-rehabilitation utility allowances. Being able to leverage these savings by reducing the utility allowance reduction of our gross rents would allow us to reduce our need for additional public subsidy, allowing us to stretch this scarce resource. As an additional comment to this item, we request that TCAC clarify whether the cash flow and DCR thresholds apply pre- or post-implementation. (Andy Madeira, Eden Housing Inc.) We support this change. Multifamily owners should receive a financial benefit when tenant electrical loads are offset by new photovoltaic systems. However, we believe that programs providing for the use of the CUAC are too narrow. For instance, the Low Income Weatherization Program also provides financing incentives to install photovoltaic systems that offset tenant electrical loads. TCAC should allow this and other projects offsetting tenant loads to use the CUAC. The source of the financing of the photovoltaic system should not matter as long as the owner is complying with the energy modeling and certification requirements of the new regulations. If TCAC is concerned with expanding the use of the CUAC to all rehabilitation projects offsetting tenant electrical loads through the provision of photovoltaics, they should at least write the regulations to pick up all incentive programs, regardless of whether the incentive is funded by a utility or a joint powers agency. (Peter Armstrong, Wakeland Housing and Development Corporation)	

		We support the goal of increasing the use of project-specific UAs so that energy improvements can bring financial and other benefits to tenants, make affordable housing more sustainable, and reduce GHGs. However, we recommend that such a policy change should proceed only if the proposed UA methodology is demonstrated to be more accurate, and if the implementation process includes appropriate tenant protections to prevent any significant rent increases resulting from decreased UAs resulting from CUAC. (Richard Mandel, California Housing Partnership Corporation)	
29	10322(h)(23)		No changes.
30	10322(h)(24)	We support this proposal and ask that the regulations also allow that the basis from the community service facility may be excluded from basis for purposes of the high cost test (or that the cost may be added as an additional basis boost). Without this change, a project is likely to exceed the high cost test and it undermines this provision. (Alice Talcott, MidPen Housing)	Consistent with federal law, TCAC allows for the cost of community service facilities to be included in basis, but staff does not agree that such costs should be exempt from the high cost test. Staff opposes the precedent of exempting any form of eligible basis from the high cost test for 9% projects. No changes.
31	10322(h)(35)		No changes.
32	10322(i)(17)		No changes.
33	10322(i)(18)		No changes.
34	10322(j)	I support this change. (Wah Chen, Insite Development) We support this change. This provides additional flexibility in the 4% program, which ultimately makes it easier to utilize. (Thomas Collishaw, Self-Help Enterprises) Having just had to go through the process of re-applying for 4% credits, we are grateful for changes like this that help reduce our administrative burden. We do think that the proposed language should be reworded from "The Executive Director shall approve any….." to "Approval of the Executive Director shall be required for any....." (Caleb Roope, Pacific West Communities)	Staff appreciates the suggestions on wording and on clarifying that income targeting changes also require approval of the Executive Director. Staff proposes to amend the language accordingly. Staff also appreciates the suggestion to clarify the universe of projects to which the amended language applies. While regulation changes normally do not apply to projects that initially applied under earlier regulations, staff proposes an amendment to specifically apply this section as amended to any project for which TCAC issues tax forms after December 31, 2017, regardless of when the project applied.

		We support this change. (Alice Talcott, MidPen Housing) We support the elimination of the re-application process for 4% projects pursuant to the conditions proposed by TCAC staff. This change will reduce uncertainty and may lead to reduced construction interest expense since equity investors will be more likely to increase capital contributions prior to conversion. (Brian D'Andrea, Century Housing) We strongly support this revision in that it eliminates unnecessary paper work for both the staff and developer. (Patrick Sabelhaus, California Council for Affordable Housing) We support this change. (Andy Madeira, Eden Housing Inc.) We support the elimination of the re-application process for 4% projects pursuant to the conditions proposed by TCAC staff. (Amy Anderson, PATH Ventures) CHPC supports this change. Please clarify that in addition to any changes to the unit mix, changes to income targeting will be accepted at PIS. Further, please clarify if projects that have submitted applications under previously adopted regulations, but have not yet submitted a PIS application, would be able to benefit from the certainty that the new regulations offer. (Richard Mandel, California Housing Partnership Corporation)	
35	10325(c)		No changes.
36	10325(c)(1)	I am supportive. (Jesse Slansky, West Hollywood Community Housing Corporation) We strongly support. (William Leach and Rusty Leach, Kingdom Development) We support the elimination of this scoring category as we agree that it is duplicative of the tiebreaker. Further, tribal projects often fall into the category of projects that are "effectively forced into cost efficiency when their competitors are not." Tribal funds available to commit to LIHTC projects are often extremely limited, given that most tribes depend almost exclusively on diminishing NAHASDA funding to leverage LIHTC equity. Historically, tribal projects have had to score significant points in cost efficiency in order to maximize points in the overall category. (Marie Allen, Travois) We support this change. Projects already leverage substantial amounts of resources to be competitive and this scoring factor was redundant. (Thomas Collishaw, Self-Help Enterprises)	If adopted, staff will adjust the minimum point score accordingly. Staff is ever mindful of the need to balance cost efficiency with other program objectives. No changes.

		While we strongly support this change, we hope that CTCAC will continue to keep the benefits of maintaining cost efficiency at the forefront of the conversations. (Caleb Roope, Pacific West Communities) NPH is supportive of this change and agrees with staff's reasoning that most of the incentives previously captured here are now part of the tiebreaker. (Amie Fishman, Non-Profit Housing Association of Northern California) We support this change. (Alice Talcott, MidPen Housing) We support the elimination of the leveraging point category along with all other superfluous scoring categories where points are uniformly and routinely awarded. To the extent such categories represent desirable public policy outcomes we encourage TCAC to consider making such categories threshold requirements. (Brian D'Andrea, Century Housing) We support this change and agree that this category provides little additional value. (Sharon Rapport, CSH) We have no objection to this change. As TCAC does establish a minimum point threshold annually, that threshold will need to be adjusted down by 20 points which will no longer be available for leveraging. (Bill Witte and Frank Cardone, Related California) We agree with the rationale for eliminating this category of points but continue to urge all to reconsider the "tiebreaker" emphasis primarily on soft financing and subsidies in view of the concerns raised nationally in the attached article on runaway costs. (Patrick Sabelhaus, California Council for Affordable Housing)	
37	10325(c)(2)-(10)		No changes.
38	10325(c)(2)	The proposed changes to the general partner experience requirement within the Native American apportionment alleviate our major concerns about relevant language in previously adopted regulations. Removing any provision requiring tribal entities that do not themselves meet the minimum experience requirements to partner with a co-GP entity in order to be eligible in the apportionment shows that CTCAC recognizes the importance of accommodating sovereign governments providing housing for low-income tribal members. CTCAC further recognizes that there are existing partnerships that do not necessarily "fit the mold" that have resulted in several successful tribal LIHTC projects in California (and close to two hundred tribal LIHTC projects nationally). It does this by proposing that tribes can partner with a pre-approved developer that, while	No changes.

		it may have extensive, relevant experience, has not had ownership interest in previous projects. This flexibility in contractual relationships and partnerships that would meet minimum requirements in these sections allows tribal developers to preserve sovereignty and principles of self-determination that are deeply important throughout Indian Country. (Marie Allen, Travois)	
39	10325(c)(3)(A)		No changes.
40	10325(c)(3)(L)		No changes.
41	10325(c)(4)		No changes.
42	10325(c)(5)(A)		No changes.
43	10325(c)(5)(A)4.		No changes.
44	10325(c)(5)(A)5.		No changes.
45	10325(c)(5)(A)7.		No changes.

46	10325(c)(5)(A)10.		No changes.
47	10325(c)(5)(A)11.	I am supportive. (Jesse Slansky, West Hollywood Community Housing Corporation) I strongly support the opportunity area changes. You are using the correct methodology. (William Leach, Kingdom Development) I support this change. (Lesley Edwards, National Community Renaissance) We agree that the high and highest resource areas provide resources to residents and that it is vitally important to locate special needs projects in such areas as well as large family projects. We therefore request that this change be amended to allow special needs projects to receive site amenity points based on their location in such areas. (Cristian Alexis Ahumada, Clifford Beers Housing) Our company agrees with promoting development of affordable housing in high opportunity areas. This change should make more sites suitable for development under the tax credit program. However, we suggest that this option be available to acquisition/rehabilitation projects as well. (Kristoffer Kaufmann, Highland Property Development) While we reject the efficacy of the opportunity maps and urge the rural set-aside to be exempted from their application, we see no problem in making it easier for sites in perceived high resource areas to achieve amenity points. This is a reasonable incentive to test the effectiveness within the QAP of incentivizing projects in high opportunity areas. (Thomas Collishaw, Self-Help Enterprises) We agree that the high and highest resource areas provide resources to residents, and that it is vitally important (if difficult at times) to locate Special Needs projects in such areas as well as large family projects. We therefore request that this proposed change be amended to allow Special Needs projects, as well as Large Family projects, to receive site amenity points based on their location in such areas. (Supportive Housing Alliance) We like this policy since we often see sites in very nice developing areas that simply don't have amenities in place yet. (Caleb Roope, Pacific West Communities) The State should carefully reconsider the impact of equating access to immediate resources – schools, transit, and grocery stores – for an	Staff notes that some commenters suggested more points for location in higher resource areas and some less. Staff continues to believe that a maximum of eight points strikes the right balance between recognizing the benefits of a higher resource location and the benefits of access to transit and proximity to amenities. Staff finds compelling, however, the argument that projects in high resource areas should also receive maximum points. Staff proposes an amendment to provide eight points to large family new construction projects in high, as well as highest, resource areas. Staff shares the belief that inclusionary housing projects generally should utilize 4% tax credits and the concern that that the proposed change will make it easier for inclusionary projects to obtain 9% tax credits. Staff proposes an amendment to exempt inclusionary projects from this point category. As proposed to be defined in Section 10325(c)(9)(C), a project is not an inclusionary project if the inclusionary obligation derives solely from the low-income units themselves or if the project includes at least 30 units that are not counted towards the inclusionary housing ordinance obligation. The proposed amendment further requires an application for a large family new construction project located in a High or Highest Resource area to disclose whether or not the project includes any inclusionary units. To address the concerns that resource area designations may change over time as data or methodology is updated and negatively affect investment decisions based on a prior iteration of the maps, staff proposes an amendment to allow an applicant to choose to utilize the census tract's resource designation from a TCAC/HCD Opportunity Area Map in effect in either of the two calendar years prior to application. Essentially, this allows an applicant to pick the highest designation from a three-year period prior to and including the year of application. While staff appreciates the interest in giving special needs projects the same site amenity point opportunity for locating in higher resource areas, staff's focus is on incentivizing large family projects in such locations. In addition, it is staff's experience that residents of special needs projects are less likely to drive cars than residents of family projects, in which case proximity to numerous amenities is more important. Staff does not support expanding this point opportunity to acquisition/rehab projects either, as there is no need

		inaccurate definition of 'opportunity'. The proposed application of the maps will undoubtedly place housing in isolated communities and force additional transportation burdens, may further remove residents from necessary healthcare services, prevent access to healthy foods, and create additional challenges in educational success for California's most vulnerable community members. This proposal stands to undermine the housing and health nexus and the very basis of TCAC's leadership in creating resource-rich communities. TCAC should not move forward with the proposed changes to amenity scoring based on the location of a project in an area of high or highest opportunity. (Rob Wiener, California Coalition for Rural Housing) The site amenity points are an appropriate way to encourage tax credit projects in High Resource Areas, as the benefits of living in a high opportunity area are similar to the advantages of living in close proximity to community services and resources. Both are location-specific resources and often result in a better quality of life for residents. This model would encourage High Resource Area projects while still maintaining a balanced approach that allows Moderate, Low, and Lowest Resource Areas to fairly compete. While it is true that without a tiebreaker boost, outcomes will not be directly affected, it is misleading to conclude that the inclusion of site amenities would not have an impact. As we've seen with the addition of transportation proximity amenities, this can be an important way to influence a developer's site choice, even if the tiebreaker remains unchanged. (John Fowler, Peoples' Self-Help Housing) We support this change. We understand the defining role that neighborhoods play in accessing opportunities in education, employment, health and wealth. As President Barack Obama stated in introducing HUD's Affirmatively Furthering Fair Housing rule: "Where people live determines what opportunities they have in life. In some cities, kids living just blocks apart lead incredibly different lives. They go to different schools, play in different parks, shop in different stores, and walk down different streets. And often, the quality of those schools and the safety of those parks and streets are far from equal – which means those kids aren't getting an equal shot in life." We support the TCAC goals of increasing access to opportunity for families of modest means by developing more affordable homes for families in areas with greater resources. Affordable housing investments determine where many families of modest means live, and currently in California, these families have limited housing choice for the types of neighborhoods in which they can find affordable housing. The proposed regulations will provide families of modest means with access to affordable housing in areas of high opportunities, thereby advancing our state and our nation's goals to end segregation and affirmatively further fair housing. (Scott Chang, Housing Rights Center; Caroline Peattie, Fair Housing Advocates of Northern California) While higher points for site amenities can help to address the challenges of sites in Highest and High Resource areas, one of the biggest drivers of	to incentivize their location. Staff is confident that the need for a project to obtain the remaining seven site amenity points through the traditional means will ensure that projects in higher resource areas are not isolated. Nonetheless, staff intends to monitor this point category over time to assess whether or not it results in isolated projects. If staff identifies concerns, it may suggest a reduction in points or a transit requirement in future years.

		where projects will be located are land costs. The point differential for site amenities in Highest and High Resources areas should be closer together from a 6 to 8 point range. (Stephen Russell and Laura Nunn, San Diego Housing Federation) The State should seriously reconsider the impact of equating access to immediate resources in rural and farmworker areas — such as schools, transit, healthcare, and grocery stores — for an inaccurate definition of opportunity. The proposed application of the maps undoubtedly will place housing in isolated communities and force additional transportation burdens, may further remove residents from necessary healthcare, prevent access to healthy foods, and create additional challenges in educational success for California's most vulnerable community members. TCAC's existing scoring rewards projects that provide residents with convenient access to services and amenities. This limits transportation costs for residents and further aligns the program goals with other state goals, which seek to reduce greenhouse gas emissions. This proposal alone stands to undermine the entire precedence of the housing and health nexus and the very basis of TCAC's leadership in creating resource-rich communities. (Rural Smart Growth Task Force) NPH supports providing additional amenity points for projects that are located in census tracts designated as high and highest resource. Given that development costs in both "high" and "highest" resource tracts are substantially similar and that TCAC is focused on promoting development on both types of tracts, TCAC should allow projects on either type of tract to receive a full 8 amenity points. In addition, projects should also be required to qualify for at least 3 transit amenity points before they can receive the full 8 amenity points for being in a high/highest resource tract. Through these modest changes, TCAC will make it easier for higher resource area applicants to achieve the full 15 site amenities points while also ensuring that future residents have reliable transit options. (Amie Fishman, Non-Profit Housing Association of Northern California) Given evidence demonstrating that children gain great benefit from access to high opportunity areas, we support the goal of building family housing in high opportunity areas. We support the change to amenity points for high/highest resource areas. (Cynthia Parker, BRIDGE Housing) We agree with the concept of adding "high opportunity" areas to the list of site amenities for which a project can secure points. But eight points is far too many in a 15 point category. Giving that many points undermines the overall reasoning behind the site amenities category that public policy is best served when a project is situated near a variety of appropriate services. A project in a "highest opportunity" area could simply be within the required point range of a medical clinic and pharmacy, add in internet, and get the complete 15 points. That project could be isolated from shopping, school, and most importantly, transit. We suggest a maximum of four to six points for this category and we support only making these	

		points available to those projects scoring at least three points for proximity to transit. (Kevin Knudtson and Elissa Dennis, Community Economics) If TCAC moves ahead with the opportunity map incentives and disincentives, we strongly argue that site amenities be waived completely, or greatly reduced, without restricting points to transit or other specificities. If siting affordable housing in a wealthy area is so important to TCAC, then these are minor issues that can stymie the already difficult effort to purchase land in high cost areas. Families that live in subsidized housing in a wealthy area have more income to apply to transportation needs, wealthy schools have better afterschool opportunities, and these communities tend to be safer for walking or bicycling. Working class families achieve impressive and inventive miracles on their current work commutes, school pick up, childcare, and other transportation arrangements. We have faith that they can solve the site amenities problem for themselves in a wealthy area and we have examples in our own portfolio of these stories. (Sylvia Martinez, Community Housing Works) We agree that the high and highest resource areas provide impactful resources to residents and these resources are important to both large family and special needs residents. We request that this proposed change be amended to allow Special Needs projects to receive site amenity points based on their location in such areas. (Amy Anderson, PATH Ventures) We support this change, commencing in 2018. It is an effective and equitable reflection of TCAC's prioritization of high resource areas. (Ed Holder, Mercy Housing) We support TCAC's proposal to provide additional site amenity points for large-family new construction in high and highest resource areas—in particular, the proposal to provide 8 site amenity points to those in highest resource areas. However, based on our review of the opportunity maps, it appears that both high and highest resource areas are predominantly suburban areas with few multifamily sites that would allow developers to obtain the required 15 site amenity points. Further, we do not believe the evidence on the benefits of living in higher opportunity areas substantiates providing twice the amount of points for highest resources areas compared to high resource areas. For these reasons, we recommend TCAC provide 8 site amenity points for both highest and high resource areas. An alternative would be to increase the number of points for high resource area projects to 6 or 7 points. (Richard Mandel, California Housing Partnership Corporation)	
48	10325(c)(5)(B)	We appreciate that TCAC's points system recognizes the significance of providing service amenities, especially in special needs projects. We support the proposed change to score projects proportionately to the number of special needs units. This is especially important to ensure projects that support community integration with a lower percentage of special needs units are not penalized. We also recommend adding	Staff continues to believe that clarity and precision on what services are expected for non-special needs units is important. Staff sees no need to make services a threshold requirement because some projects receive an award with less than maximum points. Whereas TCAC is not aware of any of its projects that require

		language to this section to make clear that participating in services cannot be a mandatory requirement of the tenancy. The services for special needs projects outlined in TCAC's regulations include case management, skills-building classes, and health services. These are necessary to any projects serving individuals with special needs, especially individuals with disabilities. However, mandating participation in order to maintain tenancy limits an individual's ability to make independent decisions, bringing the programs and housing closer to an institutionalized environment. To avoid this, TCAC should incorporate language clearly stating that tenants are not required to participate in service amenities in order to maintain housing in the project. (Dara Schur and Natasha Reyes, Disability Rights California) We believe this will be a difficult requirement to meet and we encourage a return to the previous language that applicants demonstrate that all tenants receive an appropriate level of services. It's also not clear how that will be done for projects where the non-SN units are not a senior or large family housing type. For projects where the balance of the units "consist of either at least 20% one-bedroom units and at least 10% larger than one bedroom units or at least 90% SRO units", what types of services will they be proportionately scored on? Because services points are defined by project type, a provision needs to be made for these non-housing type units. (Alice Talcott, MidPen Housing) We appreciate the regulation ambiguity that this proposed change is seeking to ameliorate. However, rather than entering the business of proportionate scoring for different Housing Types, why not simply make Service Amenities a threshold requirement and require applicants to affirmatively commit to the provision of appropriate services for all tenants? Beyond this threshold requirement, applicants must also satisfy Housing Type threshold requirements which, in particular as it relates to the Special Needs Housing Type, involve additional service amenity commitments (i.e., provision of a service plan). This treatment would be consistent with TCAC's proposed change involving Leveraging points; how frequently do applicants fail to score maximum points under Service Amenities? (Brian D'Andrea, Century Housing) We recommend altering the proposed changes. The proposed changes would fail to address the rationale TCAC staff drafted. CSH staff applaud TCAC's goal of developing more integrated units, and also believe the changes to this section around scoring for services amenities may undermine that goal. Scoring services amenities based on the percentage of special needs units will provide incentives to special needs developers to create more units for special needs populations, rather than mixing populations requiring affordable housing, for example, with populations requiring supportive housing. Scoring the number of units receiving services has very little relationship with ensuring all tenants receive an appropriate level of services. We propose simply scoring based on the services provided to special needs and non-special needs households,	service participation, never itself requires tenants to participate in services and, absent such a requirement, believes it unlikely that a court would find an eviction for failure to participate in services to be "good cause," staff finds a clarification that tenants need not participate in services unnecessary. Services are effectively scored in two categories: 1) special needs and 2) all other housing types (technically Large Family, Senior and At-Risk housing types). As a result, staff will use the Large Family, Senior and At-Risk point scale to score all services for non-special needs units. Staff does not agree that the proposed change incentivizes projects to increase special needs units. Regardless of the percentage of special needs units, an applicant may score maximum points in total by providing full scoring services to each population. No changes.

		rather than offering incentives to chase funding by adding units developers otherwise would not build. (Sharon Rapport, CSH)	
49	10325(c)(5)(B)5.		No change.
50	10325(c)(5)(B)6.		No change.
51	10325(c)(5)(B)		No change.
52	10325(c)(5)(B)11.		No change.
53	10325(c)(5)(B)12.		No change.
54	10325(c)(6)(E)		No change.
55	10325(c)(6)(G)	We support this change. In the larger effort to reduce project costs, this is one area where savings is attainable simply by reducing the amount of paperwork required. (Thomas Collishaw, Self-Help Enterprises)	No change.
56	10325(c)(7)(A)	We strongly support. (William Leach and Rusty Leach, Kingdom Development) We support this change. (Alice Talcott, MidPen Housing) Please complete the empty fields in the top portion of the table so that, for example, a project providing 50% of units at 40%AMI can get more	TCAC encourages applicants to provide 10% of units at 30% AMI by awarding two points outside of the deeper targeting chart for the 30% AMI units. The empty fields in the chart reinforce this policy and assume that projects will already be scoring points for 10% of units at 30% AMI. Staff disagrees that the revised chart lowers average rents. In fact, under most scenarios, applicants receive maximum points for higher

		points than one providing only 35% of units at 40%AMI. (Cynthia Parker, BRIDGE Housing) We understand the reasoning but the result is that the average rent is lowered once again and thus the Net Operating Income is further reduced. This will result in every 9% project receiving less permanent financing and thus require more soft financing and/or more 9% credits and thus the real probability of less units being produced since the amount of soft financing available is not increasing, but may in fact decrease given the federal budget proposed for FY 2018. The question we raise for all is where is the breaking point on average rents for 9% projects and long term feasibility? Review the 9% portfolio of older projects before adopting this revision to lowering rents. (Patrick Sabelhaus, California Council for Affordable Housing) While we are totally in support of the revision, we also request TCAC to complete the scoring columns for 35% and 40% Area Median Income. For example, if a project is providing 35% of low-income units at 35% AMI, it should be able to score more than 37.5 points. (Dan Wu, Charities Housing)	average AMIs with the proposed change. The new chart effectively gives full points for an average AMI of 50%, regardless of the targeting mix an applicant chooses. Under the current chart, in contrast, applicants only receive maximum points for a 50% average AMI by choosing 10% of units at 30%, 35%, 40%, 45%, and 50% AMI. Most other combinations of targeting require a lower average AMI. For example, a project must provide 80% of units at 30% AMI (36% average AMI) to obtain 50 points. While staff would normally be concerned with an increase in the average AMI which decreases affordability, the reality is that most applicants now pick 10% of units at 30%, 35%, 40%, 45%, and 50% AMI in order to take advantage of the higher average AMI. As a result, the proposed change gives applicants much more flexibility in targeting without significantly affecting the affordability of 9% projects. No change.
57	10325(c)(7)(B)		No changes.
58	10325(c)(8)	We support this change. (Alice Talcott, MidPen Housing)	Staff proposes a technical amendment to delete the reference to public funds points (which are slated for elimination) and Tranche B loans (which are no longer relevant to the calculation of the rental and operating subsidy boost to the tiebreaker). A Tranche B loan offered by a public entity that is based on rental and operating subsidies need not have received environmental clearance. Public rental subsidies themselves must have received environmental clearance.
59	10325(c)(9)(B)		No changes.
60	10325(c)(9)(F)		No changes.

61	10325(c)(10) – Public funds	We request two amendments: 1) insert the following sentence: "*Private loans that are guaranteed by a public entity which have a designated repayment commitment from a public source, such as the HUD Title VI Loan Guarantee Program where loan repayments are made from Native American Housing Assistance and Self Determination Act (NAHASDA) funds, will be considered as public funds*." NAHASDA is one of the most common and available funding sources for tribal affordable housing, and can be used to leverage Title VI loans. This revision acknowledges that if the loan repayment is from a public source, then the loan and associated guarantee should count in the tiebreaker score. 2) Insert the following: "However, unsuccessful Tribal pilot program applicants subsequently competing within the rural set-aside *or geographic region* competition could have such tribal land purchase funding counted competitively as public funding if the land value is established in accordance with the requirements of this paragraph." (Thomas Collishaw, Self-Help Enterprises) We request that TCAC insert the following sentence to clarify that publicly guaranteed private loans repaid by public sources in Indian Country through NAHASDA shall be considered public funds: "*Private loans that are guaranteed by a public entity which have a designated repayment commitment from a public source, such as the HUD Title VI Loan Guarantee Program where loan repayments are made from Native American Housing Assistance and Self Determination Act (NAHASDA) funds, will count as public funds*." (Rob Wiener, California Coalition for Rural Housing) As it relates to the "capitalized value of rent differentials" that is includable in "public funds" for the purposes of the 2nd tiebreaker, we encourage TCAC to calculate this value over the greater of (a) the term of the rental subsidy contract or (b) the term of the rental subsidy contract plus any automatic renewals that are allowable. The justification for this stems from the federal government's 2016 HOTMA legislation that allows Housing Authorities to commit to up front extensions for up to 20 years at the initial signing of the AHAP/HAP. Accordingly, lenders have demonstrated a willingness to amortize these "Tranche B" loans out to 35 years. We believe TCAC's treatment of this debt that leverages public rental subsidy should reflect market reality, not an arbitrary 15 year loan term. (Brian D'Andrea, Century Housing)	Staff concurs with the suggestion to consider private loans backed by the HUD Title VI Loan Guarantee Program as public funds and proposes an amendment accordingly. This program effectively front loads public fund commitments that otherwise would come in over a multi-year period. The ultimate source remains public funds. Loans based on rental or operating subsidies are not covered by this amendment. Staff likewise concurs that the value of tribal land donations should be included in public funds when the project is competing in a geographic region. Staff proposes an amendment accordingly. Staff proposes a further amendment to clarify that both the value of donated land and any public funding less than or equal to the purchase price of land are excluded from tiebreaker credit within the Native American apportionment. In reference to a comment listed under Item 63, staff proposes a further amendment to cap the size factor for any application at 150 tax credit units. This is the general size limit for 9% new construction projects. To the extent that a project receives a waiver to this limit or proposes a very large hybrid project, staff does not believe the project should receive a size factor bonus for more than 150 units. Staff also proposes technical amendments to 1) clarify that the maximum interest rate on a soft loan is *the greater of* 4% or AFR; and 2) correct a cross-reference to Section 10327(c)(6). Staff believes that the current Tranche B formula gives appropriate tiebreaker benefit to projects with rental assistance. As a result, staff opposes the suggested changes to the Tranche B formula that would disrupt this balance.
62	10325(c)(10) – Fee reductions		No changes.
63	10325(c)(10) – Hybrid developments	We recommend that CTCAC allow the combined public subsidy allocated to both components of the hybrid project to be used in the 9% tie breaker calculation. The purpose of the hybrid model is to allow a larger project to be built with fewer 9% tax credits, and utilize the lesser used 4% credits. Since the 4% component will receive less total tax credit equity, a larger proportion of the public subsidy will have to be allocated to the 4%	Staff in convinced that counting only the public funds in the 9% component of a hybrid project would actually lower a hybrid project's tiebreaker score in spite of the proposed size factor bonus. As a result, staff proposes an amendment to use the combined public funds **AND** combined total developments costs from both the 9% and 4% portions of a hybrid project to calculate the first ratio

		component to fill the financing gap, and would disadvantage the 9% component with respect to the tiebreaker score. Allowing the 9% component to use the aggregate public subsidy in its tie breaker calculation under certain conditions, similar to allowing the combined unit count to be used in the size factor, allows the 9% component to be competitive and request less of the limited 9% tax credit resources. (Lesley Edwards, National CORE) While we strongly support any idea that helps increase production, which is by far the most important public policy goal TCAC should have right now, the manner in which hybrid projects are incentivized in this proposal doesn't appear to be helpful in achieving this goal. As a large, active and statewide developer, we will not be using this provision unless we "happen" to have a potential project in our inventory of opportunities that fits this criteria, and even then it would be doubtful that we would take on all of the same risks and complexities of a hybrid execution while being limited to the developer fee for just the 9% project. More importantly, the deeper income targeting that the 4% project will now be subject to will limit the amount of support from the private market, placing more demand on limited public subsidies. The main benefits of the hybrid structure are 1) the ability to use the excess basis from the 9% project to get 4% credits, and 2) lower per unit costs through the efficiency of building a larger project. The hybrid project we did last year in California worked because we were able to effectively access the excluded basis on the 9% project, generating over $3,000,000 in new 4% tax credit equity that helped us overcome the sudden pricing decline. To properly structure for maximum 4% proceeds, nearly all of the soft money was relocated to the 4% side of the project, and the 9% side no longer had excluded eligible basis so it could consume the entire 9% allocation. This is at cross-purposes with a tie-breaker formula that rewards you for excluding basis from your 9% project. While we would welcome this proposed regulation change from a fundamental perspective, we think there is more work required to establish the mechanics of how these projects will be financially structured. It is probably worth putting together a small working group to sort through and solve for the various concerns. Until this is worked out, I think you will see only the type of 4% projects that are already deep-targeting rents due to some state funding source, meaning no additional production will occur. (Caleb Roope, Pacific West Communities) We are supportive of the concept of promoting hybrid developments as an innovative approach to maximize units using existing subsidies. We support the tiebreaker proposal, but caution that it not be so generous as to encourage developers to turn very large 4% projects into hybrid projects. We believe those are better kept as 4% only projects. As such, we recommend a cap on the total amount of units includable in the tiebreaker (~150 units). In addition, to make the proposal more effective and easier to use, NPH proposes the following changes: 1) Public funds that would fall under the 4% credit should be counted under the 9% credit instead. Note that we do not believe that 4% tax credit equity should be considered	(the soft leveraged funds portion) of the project's 9% tiebreaker score. To count the combined public funds without using the combined total development cost would be an apples and oranges comparison that would give a hybrid project too much tiebreaker advantage. Staff proposes a further amendment to also use the combined total developments costs from both the 9% and 4% portions of a hybrid project to calculate the second ratio (the credit efficiency portion) of the project's 9% tiebreaker score. The numerator of this second ratio will remain the requested unadjusted eligible basis related solely to the 9% component of the hybrid development. The current regulations allow a 4% project to increase its cash out developer fee by $10,000 per unit for each tax credit unit over 100. The proposed tiebreaker benefits for hybrid projects limit the cash out developer fee for the combined 9% and 4% projects to the 9% project's limit. Staff proposes an amendment to allow the 4% component of a hybrid project receiving the tiebreaker benefit to include an additional $10,000 in cash out developer fee for each tax credit unit in excess of 100 units from the combined 9% and 4% projects. Staff proposes a further amendment to cap the size factor for any application at 150 tax credit units. This is the general size limit for 9% new construction projects. To the extent that a project receives a waiver to this limit or proposes a very large hybrid project, staff does not believe the project should receive a size factor bonus for more than 150 units. While staff will continue to apply the 150 unit limit to the 9% component of a hybrid project, staff will not limit the combined number of units in a hybrid project. As a result, a hybrid project could exceed 150 total units as long as the 9% component did not exceed 150 units. The size factor would however be calculated at 150 units. Staff would further like to clarify that, for purposes of the high cost adjustment to the 9% developer fee limit, TCAC will calculate the high cost ratio based solely on the total eligible basis and threshold basis limits applicable to the 9% component of the hybrid project. Staff does not agree with the suggestion to phase in this proposed change. Without significant benefits, TCAC will not receive hybrid applications and be able to learn from the experience. As with all significant tiebreaker changes, TCAC will monitor the results and make adjustments in the future as appropriate. Staff generally does not encourage projects with mixed housing types. To the extent that the regulations allow for such projects, however, hybrid projects will be subject to the same rules. Staff

		public funds. 2) Different project types should be allowed as a way to allow innovative targeting combinations such as intergenerational housing. Finally, like the proposed tiebreaker changes to development in high/highest resource areas, NPH believes that these changes should be phased in over a 3-year period to allow TCAC to better study the effects of the proposed changes and developers to adjust their pipelines. (Amie Fishman, Non-Profit Housing Association of Northern California) We are intrigued by the hybrid concept, especially for projects in small regions where the credit amount is insufficient to do larger projects. We think this is a complicated but effective way to leverage the total affordable housing resources available. We support the tiebreaker proposal, but caution that it not be so generous as to encourage developers to turn very large 4% projects into hybrid projects. We believe those are better kept as 4% only projects. As such, we recommend a cap on the total amount of units includable in the tiebreaker of something in the range of 150. We also recommend that the tiebreaker be calculated using the combined 4% and 9% projects, because the bulk of the public funds will need to be allocated to the 4% project. We also recommend that the two projects be allowed to be different housing types as a way to allow innovative targeting combinations such as intergenerational housing. (Alice Talcott, MidPen Housing) We agree with the policy goal of encouraging large 9% projects to split off part of their development into a 4% project, to ensure 9% credits are more widely available. However, we are concerned that without adequate monitoring of the outcomes of this regulation change, the reverse could occur: large 4% projects could peel off a portion as a 9% deal. To address that concern, we recommend the following. 1) Please make explicit in the regulations language that the whole project's (i.e., blended 4% and 9%) costs are included in the tiebreaker denominator, and the whole project's soft debt is included in the tiebreaker numerator. 2) Consider allowing a higher developer fee to offset the increased administrative burden of 4% and 9% projects; perhaps $5-10K per unit on the 4% transaction. This could also incentivize use of 4% credits over 9% credits in blended projects. 3) we applaud an increased tax credit cap for larger projects (from $2.5M to $3M). As a way to discourage developers from splitting off a 9% project from a large 4% project, we suggest the cap for blended projects remain at $2.5M. (Cynthia Parker, BRIDGE Housing) We support keeping this innovative structure in the TCAC toolbox. This structure is especially in keeping with the need for additional production of larger projects in our current housing crisis. Please consider allowing additional developer fee, in keeping with the 4% increase for larger sized projects. These are highly complex projects and as larger projects, need additional developer fee as contingency for completion. We also recommend the allowance of the total subsidy (from both the 4% and 9% portions, over the total development costs) to count toward the tiebreaker. Likewise, the size factor on the tie breaker should benefit from all the	opposes any special rules for hybrid projects on this topic. While TCAC will continue to accept hybrid applications in which the 4% component will not include deeply targeted units, staff does not agree that such projects should qualify for the proposed 9% tiebreaker benefit. The idea of the benefit is to encourage 9% projects to utilize excess basis. Without the hybrid structure, the single project would be more deeply targeted. Staff does not support the suggestion to allow projects that receive a 9% credit reservation without a hybrid structure to later convert to a hybrid structure. The hybrid concept is complicated enough already. Staff prefers to handle this once at the application stage rather than redo the work a second time to facilitate a later conversion.

		units in a hybrid project. These projects already require a large amount of subsidy, particularly if they are of greater size, which should be an important part of the goal for hybrid projects. Large projects should be allowed to do a typical 4% that does not have to meet the 9% income targeting and housing type and only meet the minimum mix of service and sustainability points necessary to qualify for bonds/4%. An example of this is the Celadon project in San Diego. A deeply subsidized and costly project needs so much soft money that it becomes infeasible, thus driving to a 9%/9% phased hybrid which should be avoided. (Sylvia Martinez, Community Housing Works) One clarification is further needed within this section. The proposed regulation states that "any amount of the combined 4% and 9% developer fees in cost that are in excess of the limit for the 9% project by itself pursuant to Section 10327(c)(2)(A) shall be deferred or contributed as equity to the projects". Is "the limit for the 9% project by itself" based on only the portion of the 9% project under the hybrid or the combined 9% and 4% project size as if it is developed as a single 9% project? We advocate TCAC considers the combined 9% and 4% project size since a hybrid project is more complex than a standalone 9% or 4% transaction, and the developer should not be penalized for trying to be creative. (Dan Wu, Charities Housing) Our understanding is that this proposal does not permit developers to "use" the "unused" basis in a 9% project in a related 4% project, as allowed by TCAC in earlier this year in its' emergency regulations. We suggest that TCAC go further and incentivize projects that have received a 9% allocation to use the unutilized basis for a related 4% execution, and return 9% credits back to TCAC for allocation. The incentive could be allowing a higher developer fee, and/or a higher contingency. Allowing developers to expand use of the 'hybrid" execution will essentially give TCAC more resources through return of unutilized credits and allow us to build more units. (Andy Madeira, Eden Housing Inc.) We agree with the proposed change and would actually push further to query why a maximum size limit should exist at all for projects that are combining 4% and 9% credits. MHC is currently seeking a waiver on a 176 4%/9% project in San Francisco, but relaxing the size limit for these combined projects would seem to ease TCAC's administrative burden. It is unclear why a size limit should apply to large, hybrid projects which are able to maximize credit leverage and potentially benefit from the changes proposed in 10325(f)(9). (Ed Holder, Mercy Housing) We support the new hybrid provisions as a pilot initiative. TCAC should evaluate the implementation of this proposal very closely over the next one to two years to ensure that the new provisions do not create inadvertent incentives to do hybrid developments just for purpose of 9% competitiveness. Note that we do not believe that 4% tax credit equity should be considered public funds, as this would overly incentivize hybrid	

		developments and potentially create a glut of applications. We recommend that all public funds attributable to the development, both 4% and 9%, should count toward the tie-breaker. (Richard Mandel, California Housing Partnership Corporation)	
64	10325(c)(10) – Purchase price	If an applicant is not required to submit an appraisal with their application because they have a third party purchase contract, how will you determine if the project's paid purchase price exceeds appraised value? (Thomas Collishaw, Self-Help Enterprises) We support this change. (Alice Talcott, MidPen Housing) The requirement here is that, for tiebreaker purposes, TCAC will discount public funds if the appraised value is lesser than purchase price, by the overpayment amount. Waivers are currently available for rehab projects, and we support the expansion this waiver to (1) new construction projects and (2) projects in which the purchase price does not exceed the sum of third party debt encumbering the property that will be assumed or paid off. (Cynthia Parker, BRIDGE Housing) This should apply to related party transactions only and not to unrelated party transactions. In today's competitive market, if a developer has to pay an unrelated party more than appraised value for a site in order to secure the site, the development should not be penalized for that. (Bill Witte and Frank Cardone, Related California) This regulation change would eliminate a tool utilized by affordable housing developer to minimize risk and costs related to acquisition and holding real estate prior to commencing construction. Due to the time (up to 24 months in some cases) and risk associated with securing financing, affordable housing developers prefer longer escrow periods, which often require a higher offer for land. Structuring transactions this way allows developers to mitigate the risk of obtaining financing as well as reducing holding costs and acquisition loan interest. A project that is purchased with a market rate escrow period (90 days) would incur significant interest costs over the 24-month holding period, in the hundreds of thousands of dollars range, increasing total development costs. We request that this change not be adopted. (Amy Anderson, PATH Ventures) We understand that the proposed regulation change would require that public funds be discounted by the difference between the purchase price and appraised value, with specific exceptions. We understand that one exception will be resyndications where the third-party debt exceeds the value. We request that you also include related-party debt when that debt will be assumed as a 55-year soft loan with residual receipts or deferred payment. We understand your concern regarding windfall gains at resyndications and concur that related-party debt included in this exception should not be short-term and payable to the sponsor right away. However, a long-term residual receipts loan does not enrich the seller/developer given that often projects facing this situation have poor	TCAC will only apply the proposed rule to projects for which submittal of both the purchase and sale agreement and appraisal is required. Under the proposal, TCAC would still allow projects to enter into purchase contracts in excess of appraised value. Staff does not believe, however, that a project should be incentivized to do so with a tiebreaker benefit. The proposed change simply denies the tiebreaker benefit for such overpayments. Staff does not support the suggestion to provide a waiver for related party debt. Staff believes that this would allow for abuse and ultimately make the rule moot. No changes.

		cash flow and do not make robust residual receipts loan payments. For developers, it is important that the properties assume any related-party debt in order to protect their balance sheets. If the sponsor cannot assume the loan(s), they would have to write off the loan, which has a negative impact on the organization's net assets. Therefore, we recommend that long-term residual receipt related-party debt be included with third-party debt in the exception for resyndications. (Richard Mandel, California Housing Partnership Corporation)	

65	10325(c)(10) – Higher resource areas	I am supportive. (Jesse Slansky, West Hollywood Community Housing Corporation) I strongly support the opportunity area changes. You are using the correct methodology. (William Leach, Kingdom Development) I oppose this change. It will wipe out other projects too easily. (Leslie Edwards, National Community Renaissance) Why let inclusionary projects compete for 9% credits at all, let alone make them more competitive with this benefit? (Ginger Hitzke, Hitzke Development) Tribal members currently living on tribal land are unlikely to move away to a "higher opportunity" area, nor should they be expected to. The demand for affordable, large family housing is always high in tribal communities, and more so in those that are especially depressed. Further, significant housing shortages on reservations prevent tribal members who would prefer to live on the tribe's land from doing so. Often, tribal households consist of several generations of people living under one roof in order to allow as many tribal members as possible to remain in their communities. Therefore, the tiebreaker bonus does not make sense in the Native American apportionment. In no event should a tribe that has been afforded federal trust land in a "high resource area" necessarily have an advantage over one that has not. (Marie Allen, Travois) We agree that living in lower poverty neighborhoods has been shown to generate substantial physical and mental health improvements for children and adults and that affordable housing residents should have more choice in where to live. We ask that TCAC recognize they these sentiments particularly apply to special needs households. We request that this change be expanded to include special needs projects and that such projects receive an even higher tiebreaker. Absent such an expansion, special needs projects locate in higher resource areas and competing in a geographic region would be under competitive disadvantage to large family high resource projects. (Supportive Housing Alliance; Cristian Alexis Ahumada, Clifford Beers Housing) Our company agrees with promoting development of affordable housing in high opportunity areas generally and the site amenity point and threshold basis limit proposals specifically. However, we disagree with tiebreaker change. First, the proposal benefits only new construction projects. Recent regulation changes have already given priority to new construction projects, as evidenced by a lack of acquisition/rehabilitation projects scoring competitively in the rural set-aside in 2017. Providing bonus scoring opportunities uniquely to new construction projects will be to the detriment of aging affordable housing in need of rehabilitation as well as have a negative impact on the LIHTC program's cost efficiency. Second, the advantages of high resource areas are less realized in rural	Staff continues to believe that a tiebreaker benefit is necessary to accomplish the goal of achieving a more proportional representation of large family new construction projects in higher opportunity areas. Staff further maintains its belief that the size of the benefit is appropriate and necessary in light of the relative lack of access to public funds that many family projects in higher resource areas are likely to experience. To protect against in an imbalance of awards to such projects, however, staff proposes in Section 10315(h) to establish a 30% housing type goal for large family new construction projects located in the highest or high resource areas. In Section 10315(c), staff further proposes to apply this goal within the rural set-aside. While staff is interested in improving opportunity and choice for families as soon as possible, staff shares the concern about possible negative impacts on pipeline projects. As a result, staff proposes an amendment to delay implementation of the tiebreaker incentive for large family new construction projects in higher resource areas until 2019. This one year delay is consistent with the delay in implementing other significant tiebreaker changes in recent years. Staff concurs that this change should not apply to projects competing in the Native American apportionment and proposes an amendment accordingly. The focus of this apportionment is on meeting tribal housing needs on or near reservations, for which geographic location should not be a factor. This exception is similar to the existing regulation that exempts Native American apportionment projects from site amenity scoring. Staff shares the belief that inclusionary housing projects generally should utilize 4% tax credits and the concern that that the proposed change will make it easier for inclusionary projects to obtain 9% tax credits. Staff proposes an amendment to exempt inclusionary projects from the higher resource area bonus. The amendment further defines an inclusionary project as a project in which any of the Low-Income Units satisfy the obligations of an inclusionary housing ordinance, unless the obligations derive solely from the low-income units themselves or unless the project includes at least 30 low-income units that are not counted towards the obligations of the inclusionary housing ordinance. The proposed amendment further requires a an application for a large family new construction project located in a High or Highest Resource area to disclose whether or not the project includes any inclusionary units. To address the concerns that resource area designations may change over time as data or methodology is updated and negatively affect investment decisions based on a prior iteration of the maps, staff proposes an amendment to allow an applicant to choose to utilize the census tract's resource designation from a TCAC/HCD

		communities where distances are more profound. An individual with an established job and social network in a rural community is unlikely to be incentivized to relocate several dozens of miles just to live in a so-called high opportunity area. While we strongly oppose this change at all, in the alternative we propose that implementation be delayed for 2018 and reconsidered for 2019 so that the effects of the site amenity points and increased threshold basis limits might first be evaluated. (Kristoffer Kaufmann, Highland Property Development) While I understand the desire to incentivize new affordable projects in the higher resource areas in order to allow affordable housing residents more choice in where to live, we encourage TCAC to revisit the proposed regulation changes on this topic. By creating both a housing type goal for new construction large family projects not located in a highest or high resource area and also giving a significant tie breaker boost to new construction large family projects located in highest or high resource areas, the competition becomes too skewed in favor of large family projects in highest resource areas. The tiebreaker boost could also decrease the number of special needs or senior projects that would otherwise have the highest tiebreaker in their geographic regions. In addition, inclusionary projects are usually located in higher resource areas. By allowing these projects an additional tiebreaker bonus, the result would be an extra benefit to these projects, further benefiting the market rate developer that is already required to develop the affordable housing. We recommend that the tiebreaker bonus be eliminated or decreased. If not, then the 30% housing type goal for large family new construction projects located in Very Low Resource areas should be eliminated or increased. Having both the tiebreaker boost and the housing type goal is too restrictive to projects not located in High Resource areas. (Lesley Edwards, National CORE) Given the acknowledged limitations of the mapping tool for rural areas, we ask that the Rural set-aside in the 9% tax credit competition be exempted from any changes to the tiebreaker. At the very least, we urge any final changes to the TCAC 9% competition to be measured and incremental, which could include accommodations to both amenity points and a basis threshold boost, but not changes to the tiebreaker. We wholeheartedly oppose the use of the opportunity maps to alter the tiebreaker in the 9% tax credit competition. Such a change is premature and does not acknowledge the existing pipeline of sites that tax credit developers have been working on for years. At a minimum, we request that this revision not be applied to the rural set-aside, where census tracts tend to be larger with more varied conditions, and the maps do not adequately capture opportunity. (Thomas Collishaw, Self-Help Enterprises) Helping families live in areas where they have better opportunities is a worthy goal. The proposed changes will definitely encourage developers to pursue projects in higher resource areas, but the incentive offered is	Opportunity Area Map in effect in either of the two calendar years prior to application. Essentially, this allows an applicant to pick the highest designation from a three-year period prior to and including the year of application. While staff appreciates the interest in giving special needs projects the same site tiebreaker benefit for locating in higher resource areas, staff's focus is on incentivizing large family projects in such locations. While staff recognizes that not all rehabilitation projects are feasible with 4% tax credits, staff believes that achieving a higher representation of family projects in higher resource areas, which can only be accomplished with new construction, is a higher priority than rehabilitation projects. While staff is sympathetic to the effects of this proposal on non-large family housing types, staff believes that the proposed approach is superior to the creation of a new set-aside for large family projects in higher resource areas. Such a set-aside would have to be large to achieve the policy goal and would therefore significantly reduce the credits available in each region, which are already small in many cases. Moreover, a set-aside is statewide and may well result in an imbalance in the geographic distribution of projects. With respect to rural areas, the opportunity maps have been revised significantly in an attempt to address some of the limitations of the initial iteration. While staff is committed to exploring alternative methods of assessing opportunity in rural areas for the future, there are currently no better alternatives. Staff believes that access to greater opportunity and choice is equally important in rural areas as in urbanized areas. While a family with an established job in a low opportunity area may not wish to move, a family without a job or one who has found a job in a higher opportunity area may indeed wish to move. Today, such a family has few such opportunities to locate in the high opportunity area, while the families in low opportunity areas have disproportionate access to tax credit projects. As a result, staff continues to support applying the tiebreaker benefit for large family new construction projects in higher opportunity areas while committing to further discussion on how to refine the assessment of opportunity in the rural region. Staff does not support the suggestion to utilize a proportional tiebreaker incentive (i.e., a factor multiplied towards the base tiebreaker score, as opposed to the proposed flat addition). The benefit of a high opportunity location is relatively uniform. A proportional benefit would result in widely divergent benefits to individual projects. Moreover, to the extent that projects in high

		enormous and could, over time, produce an inability for other large family projects that accomplish different important public policy goals to effectively compete. We believe that this tie-breaker advantage should end once TCAC has reached an established high resource goal for the round. We also feel that the advantage should not be as significant unless and until it can be shown that high resource projects are unable to prevail. We suggest that the 20% bonus be reduced to 15% for non-rural projects, and for rural projects the 10% bonus should be reduced to 7.5%. (Caleb Roope, Pacific West Communities) TCAC should not make changes to the tie-breaker based on the opportunity maps. We think it would be important to look at data from any TCAC developments that have been built in 'high-opportunity' areas to gather information about where people previously lived as well as the racial makeup of the resident population. (Rob Wiener, California Coalition for Rural Housing) The tiebreaker boost is a de facto requirement that does not reflect TCAC's stated intent to adopt a "balanced statewide policy approach." In the Central Coast region, the point spread between projects is close enough (with exception to a few outliers) to essentially guarantee that any project located in a Highest Resource Area will receive an award. Realistically, no developer will pursue projects in a Moderate, Low, or Lowest Resource Area, simply because the risk of losing out to any projects located in High Resource Areas is too great. If TCAC seeks balance, this is not the way to do it. It is important for TCAC to identify quantifiable outcomes for a "balanced statewide policy approach." Without a common agreement on what results would be considered "balanced", discussions concerning opportunity areas are doomed to fail, as we lack an objective goal to pursue. Therefore, one possible solution would be for TCAC to release a statement clearly identifying what measures will be used to determine the equal distribution of projects between all resource area types. This is the fairest approach, especially considering that while there are proposed incentives for high resource areas and a housing type goal for Very Low Resource areas, there is a "missing middle" of moderate and low resource areas that receive no incentives. (John Fowler, Peoples' Self-Help Housing) We have significant concerns about providing such a high tie-breaker incentive to large-family projects located in areas designated as Highest or High Resource. We understand the desire TCAC has about being proactive in promoting fair housing opportunities, which is why we are generally comfortable with the proposal to provide significant site amenity points to these projects. However, the tie-breaker incentive will likely have the unintended consequence of significantly disadvantaging other worthwhile projects. At a minimum, there should be a threshold limit to the projects designated as Highest or High Resource for the first few years of implementation, at which point TCAC can revisit the issue to determine if there has been a significant shift in the types of applications. Tax credit	opportunity areas are likely to have fewer public funds, they would receive little to no benefit. Nor does staff support the suggestion to rescore projects in later rounds based on results from previous rounds. Staff believes that the proposed housing type goal for large family projects in high opportunity areas will mitigate against imbalances in a much less complicated fashion. Staff continues to support a lesser increase to the tiebreaker for large family new construction projects in high opportunity areas versus highest opportunity areas. While staff has proposed amendments in other section to equalize the points and threshold basis limit increases for both levels of opportunity, staff prefers to maintain an incentive for developers to seek out projects in the highest opportunity areas. Otherwise, TCAC is unlikely to fund many projects in the areas of highest opportunity. The tiebreaker is the incentive that matters most.

		projects meet several public policy objectives and the state should not prioritize one at the expense of others. (Ray Pearl, California Housing Consortium) We support this change. We understand the defining role that neighborhoods play in accessing opportunities in education, employment, health and wealth. As President Barack Obama stated in introducing HUD's Affirmatively Furthering Fair Housing rule: "Where people live determines what opportunities they have in life. In some cities, kids living just blocks apart lead incredibly different lives. They go to different schools, play in different parks, shop in different stores, and walk down different streets. And often, the quality of those schools and the safety of those parks and streets are far from equal – which means those kids aren't getting an equal shot in life." We support the TCAC goals of increasing access to opportunity for families of modest means by developing more affordable homes for families in areas with greater resources. Affordable housing investments determine where many families of modest means live, and currently in California, these families have limited housing choice for the types of neighborhoods in which they can find affordable housing. The proposed regulations will provide families of modest means with access to affordable housing in areas of high opportunities, thereby advancing our state and our nation's goals to end segregation and affirmatively further fair housing. (Scott Chang, Housing Rights Center; Caroline Peattie, Fair Housing Advocates of Northern California) A tiebreaker boost of 20% for large family projects in highest opportunity areas is too high and will significantly disadvantage other worthwhile projects in lower income areas where local citizens are in need of additional resources. Therefore, we oppose this bonus. Additionally, because inclusionary projects are mostly located in High or Highest Resource areas, we believe that the incentives for large family projects located in these zones will have the unintended consequence of benefiting inclusionary projects and allowing them to better compete in the 9% program. Because of the site amenity bonuses included in the proposed guidelines for high and highest resource areas, inclusionary projects that previously couldn't apply for 9% credits, will now be able to. Inclusionary units are generally required as part of the overall market rate project and should only be allowed to compete for 4% tax credits. (James Silverwood, Affirmed Housing) We strongly caution TCAC against making major changes to the tiebreaker criteria and, if there are to be changes, these should be small and phased in over time. Given the extremely competitive nature of tax credit allocations, any changes to tiebreaker criteria could have the unintended consequence of overly emphasizing a certain type of project, in this case large family new construction in high/highest resource areas, over other crucially needed projects (i.e. special needs/seniors) or even large family new construction in moderate resource areas immediately adjacent to high resource tracts. For instance the affordable housing	

		component of the master-planned “Bay Meadows” development in the middle of the City of San Mateo is not in a high resource area despite being by a Caltrain station, a state-of-the-art high school, and in a location where comparable units are renting for as high as $6,343 per month. To best understand the effects of the tiebreaker while meeting other critical housing needs NPH urges that any changes to the tiebreaker be small and phased in over 3-years. If TCAC makes changes to the tiebreaker criteria at all, NPH suggests that the tiebreaker be increased in the amounts proposed but using a proportional percentage and not an absolute amount. Alternatively, if an absolute amount is used, the tiebreaker add-ons should be half the rate of those currently proposed (i.e., a 10% add on for projects in highest resource areas vs. 20% now). We strongly encourage TCAC to move slowly in this area. Making a more modest initial change to the tiebreaker (such as the alternative approach below) will allow TCAC staff to first study the effects and determine whether it is sufficient to achieve the Committee’s intended public policy objectives without having to move to more radical proposals. Alternatively, we propose the following. Helping large-family new construction developments in “highest” and “high” resource areas maximize site amenities points and gain access to higher TBLs will not necessarily in and of themselves result in winning competitions in geographic regions and the rural set aside, which are generally decided based on the relative tiebreaker scores. We recommend implement the following two-part tiebreaker adjustment to increase competitiveness of proposed large-family new construction developments in “highest” and “high” resource areas in the tiebreaker round: 1) Provide a relative tiebreaker score boost of 15% for developments in high-resource areas (e.g., a 50% score would be adjusted to 57.5%); and 2) In cases where no new construction large-family developments in “highest” or “high” resource areas in a given region are allocated 9% credits for consecutive application rounds, in the next round the single highest scoring application for a new construction family development in a high-resource area will be re-scored per the following approach: A) In regions where at least one large-family, new construction development is typically allocated 9% credits per application round, the single highest scoring application for a new construction family development in a high-resource area will be re-scored to be the highest scoring large-family, new construction application in that region. This tiebreaker adjustment would take effect after two consecutive rounds of no allocations for large-family, new construction developments in “highest” or “high” resource areas. B) In regions where fewer than one large-family, new construction development is typically allocated 9% credits per application round, the single highest scoring application for a new construction family development in a high-resource area will be re-scored to be the highest scoring application of any housing type in that region. This tiebreaker adjustment would take effect after three consecutive rounds of no allocations for large-family, new construction developments in “highest” or “high” resource areas. C) No application may be funded through this tiebreaker adjustment process unless its final tiebreaker score (after the above 15% relative boost) is equal to at least 50% of the average	

		of the first two skipped applications' final tiebreaker scores within the region or Rural set aside (if more than one). (Amie Fishman, Non-Profit Housing Association of Northern California) We appreciate the public policy objectives of TCAC's proposed tiebreaker boost for new construction large family projects. However, a tiebreaker boost that is only available to a single housing type provides an unfair advantage to that housing type, to the direct exclusion of other housing types. We believe there are other approaches to incentivizing the development of large family housing in high opportunity areas. For instance, TCAC's proposed establishment of a housing type goal specifically for this high opportunity large family housing (and the concurrent 30% cap on the credits available to lower opportunity large family housing) should provide an appropriate incentive. Alternatively, or in addition, might TCAC consider establishing a new statutory set aside for high opportunity large family developments? These latter solutions help TCAC achieve the public policy goal while not providing an undue advantage to this specific housing type over and above other housing types. (Brian D'Andrea, Century Housing) While we support the goal of building family housing in high opportunity areas, we oppose implementation of tie breaker boost until further analysis and vetting has been completed. There may be some issues around the implementation of the "high opportunity areas". For example, the reliance on census data creates arbitrary boundaries wherein properties on opposite sides of the streets may not both be identified as "high opportunity". Consider adding a buffer and/or an averaging system to the map methodology. Generally we request that the methodology for identifying high opportunity areas be evaluated and adjusted. Important considerations around the methodology have not been fully vetted. For example, how does the analysis account for master plans, future amenities, and planned capital improvements? Given that the maps were recently released, we suggest further vetting of methodology before linking it to regulation changes. TCAC should spend the next year working with developers and the working group to iron out methodology and implications. (Cynthia Parker and Mitch Crispell, BRIDGE Housing) Adding 20%, or even 10%, to a tiebreaker score would likely be the determining factor in most regions. We don't support changing the tiebreaker system so that one factor could significantly shift the delicate scoring balance the current tiebreaker system has created. Historically, TCAC attempts to alter the tiebreaker to achieve public policy outcomes have tended to cause overcorrection and pushback resulting in something of a revolving door of tiebreaker schemes which benefited no one. We recommend deleting this change and monitoring the success of the other changes first before considering whether additional incentives might be needed. (Kevin Knudtson and Elissa Dennis, Community Economics) TCAC should create incentives for Highest and High Resource Areas	

		without being overly punitive to projects not located in those areas. This proposed change would be overly punitive, especially if it is a straight addition to the tiebreaker, as opposed to a factor multiplied by the tiebreaker score. During the Oakland hearing, Mr. Stivers mentioned there was no magic to the 20%/10% increases, but that these factors seemed like a good middle ground that would give projects in Highest Resource and High Resource areas a leg up without being the determining factor in whether a project is funded. A straight addition of 20% (or even 10%) to a tiebreaker score will undoubtedly be the determining factor in whether a project is funded. Moreover, TCAC's stated rationale for setting the boost this high is to offset the lack of public funds they expect in these projects (and, therefore, lower base tiebreakers)—that creates a disincentive for local governments to support projects in higher resource areas when we think the pressure should be on local governments in wealthier areas to support affordable housing. Furthermore, as noted above, if TCAC insists on implementing the Opportunity Maps concept, Related recommends phasing in incentives for developing in high opportunity areas over the next two years rather than immediate implementation. (Bill Witte and Frank Cardone, Related California) We believe that this tie breaker requires additional study and should be postponed for a year. After further study, as requested above, we also believe that TCAC staff will recognize that the tie breaker boost should be the same for wealthier and wealthiest areas. We have closely looked at the maps, and the prohibitively high cost of land and NIMBYism and extra entitlement costs burden are virtually identical between these two areas. To offer less to the 'wealthier,' as opposed to 'wealthiest,' will just reduce feasibility, and not necessarily result in more projects in the top 40% of census tracts in the state. (Sylvia Martinez, Community Housing Works) We are in support of TCAC's goal of increasing large-family housing in the Highest or High Resource areas. However, we believe the amount of bonus tiebreaker points is too significant. Affordable housing developers cannot change the location of their project on a dime. We identify sites based on a set of established rules and regulations. When these rules change in the middle of the development process (whether it's adding a new point category or deleting an existing one after it has been instituted for a period of time), it puts us in a position of either unexpected windfall or significant disadvantage. Developers are investing more financial resources today in order to obtain land in an ultra-competitive environment. With a simple addition of 5-20 points to the final tiebreaker score, developers with large-family projects not located in the Highest or High Resource area in the pipeline could potentially be sitting on the sidelines for years to come. Thus we suggest TCAC considering either a) phasing in the bonus points over time or b) reducing the amount of the bonus to a small relative percentage increase rather than straight addition. (Dan Wu, Charities Housing) We support the proposal to provide a tie-breaker bonus for large family	

		projects located in High or Highest resource areas and recommend that the bonus score provision be expanded to include special needs projects. We note that, absent such an expansion, special needs projects located in high or highest resource areas and competing in a geographic region would be under a competitive disadvantage to large family projects. (Amy Anderson, PATH Ventures) While we appreciate that a modification to the tiebreaker system is an important tool for impacting change, a 20-point increase is too extreme. We would be amenable to an increase, but creating such potentially dramatic swings in scoring before we really understand the implications for Very Low Resource areas or have had a chance to "test run" the mapping system creates unnecessary uncertainty in a system which already requires significant assumption of risk from its participants. We would recommend 15% and 5% (percent, not point) increases for Highest and High categories, respectively, in 2018. (Ed Holder, Mercy Housing) We support the intent of TCAC's proposal to incentivize development of large-family new construction in high and highest resource through a significant boost to their tiebreaker scores. However, we believe the proposed absolute boosts in tiebreaker scores are too large and likely to be determinative, excluding all other worthy proposed developments rather than merely providing a competitive advantage. We are particularly concerned that absolute percentage boosts will have outsized effects in regions with lower tiebreaker scores, and are consequently likely to crowd out other housing types from geographic competitions in smaller regions, which is not the intended outcome. For these reasons, we recommend TCAC provide relative boosts to tiebreaker scores for high and highest resource area developments rather than absolute score increases, and also lower the amount of boost provided. Consistent with the research we conducted on the average boost required to make higher resource area developments more competitive, we recommend a 15% relative boost for both high and highest resource area developments. In cases where no new construction large-family developments in high or highest resource areas in a given region receive 9% credits for consecutive application rounds, we recommend that in the next round the single highest scoring application for a new construction family development in a high-resource area should be re- scored per the following approach: 1) In regions where at least one large-family new construction applicant is typically allocated 9% credits per round, the single highest scoring new construction family development in a high or highest resource area will be re-scored to be the highest scoring large-family, new construction application in that region. This tiebreaker adjustment would take effect after two consecutive rounds of no allocations for large-family, new construction developments in high or highest resource areas in these geographic regions. 2) In regions where fewer than one large-family new construction application is typically allocated 9% credits per round, the single highest scoring new construction family development in a high or highest resource area will be re-scored to be the highest scoring application of any housing type in that	

		region. This tiebreaker adjustment would take effect after three consecutive rounds of no allocations for large-family, new construction developments in high or highest resource areas in these geographic regions. Notwithstanding 1) and 2), no application may be funded through this tiebreaker adjustment process unless its final tiebreaker score (after the above 15% relative boost) is equal to at least 50% of the average of the first two skipped applications' final tiebreaker scores within the region or Rural set aside (if more than one). In addition, TCAC should delay implementation of any changes to the tiebreaker that pertain to the rural set aside until next year unless significant improvements are made to the opportunity maps in rural areas before the adoption of these regulations, and these improvements are vetted by relevant stakeholder groups with an additional opportunity to submit formal comments. (Richard Mandel, California Housing Partnership Corporation)	
66	10325(d)		Staff proposes amendments to correct two grammatical errors.
67	10325(d)(1)		No changes.
68	10325(f)(1)(B)(ii)		No changes.
69	10325(f)(1)(B)(iv)		No changes.
70	10325(f)(3)		Pursuant to comments received under Section 10325(f)(8), staff proposes an amendment to allow an applicant to substitute AHP funds for any other source after reservation.
71	10325(f)(4)	We support this change. (Alice Talcott, MidPen Housing)	No changes.

72	10325(f)(7)(A)		No changes.
73	10325(f)(7)(E)	We agree with the changes TCAC staff proposed with regard to non-SRO and SRO units. However, we recommend eliminating the ability of the Executive Director to waive this requirement for SRO units, as this option will engender many requests for waivers and decisions to waive or not waive will appear arbitrary to those requesting waivers. (Sharon Rapport, CSH)	Staff continues to believe that a waiver should be available for SRO units. SRO units currently are completely exempt from the requirement, and staff is concerned unusual circumstances may exist with SRO units. In any event, staff predicts few waiver requests as the requirements are not onerous. As with all waivers, staff endeavors to ensure reasonable and consistent outcomes.
74	10325(f)(7)(G)		No changes.
75	10325(f)(7)(J)	We support this unit definition clarification. (John Fowler, Peoples' Self-Help Housing)	No changes.
76	10325(f)(7)(K)	The proposed changes establish accessible parking requirements that are lower than accessible unit requirements. TCAC reasons that not all occupants of accessible units need an accessible parking space and spaces may be converted later if necessary. While people with disabilities have the right to request reasonable modifications, such as accessible parking spaces, it is our experience that once parking lines are drawn, housing providers are very unlikely to restripe for accessible spaces. This is generally due to the same reasons TCAC cites for not matching the number of accessible spaces to accessible units, namely cost and spatial constraints. If housing providers are not required to provide accessible parking spaces from the outset, tenants with disabilities who need them down the line are very unlikely to have that need met. We recommend this section outline a 10% accessible parking space requirement to match the mobility accessible unit requirement. (Dara Schur and Natasha Reyes, Disability Rights California) Thank you for clarifying the number of ADA parking spaces required for new construction projects. In an era of reduced and more costly (structured) parking, this clarification is very helpful and aligns with our experience that not all handicapped persons need a full van space. We must also object to the requirement for rehabilitation projects to provide the greater of 5% of the number of units or the amount of parking. This requirement is simply infeasible in many cases because of existing zoning and parking requirements. We believe that this requirement alone will result in a great many more waiver requests for CTCAC to review. Most rehabs are garden style apartments, and their ADA parking stems from older zoning requirements. As an example, a 200-unit project with 400 spaces would have required 20 full ADA parking spaces under this requirement. To create 20 van spaces, over 30 existing parking spaces	Since the publication of the proposed regulation changes, the Division of State Architect has clarified that TCAC's higher requirements for mobility accessible units do not affect building code accessible parking requirements. For projects with parking ratios of 1:1 or greater, the building codes require a number of accessible parking spaces equal to 5% of the units. For projects with lesser ratios, the building codes provide a chart specifying the number of accessible spaces required. With this clarification, staff sees no need to address the issue of accessible parking in the TCAC regulations and withdraws this portion of the proposed regulation change. Building code requirements for accessible parking will apply to TCAC projects. The only remaining proposed changes to this section relate to the clarification of unit terminology.

		would have to be brought offline – either to create the wider spaces or because the existing tenant population does not have the required ADA placards to park in these spaces. In addition, the project would be subject to code enforcement issues from the City for reducing the required parking on the site. Finally, many sites cannot provide ADA path of travel to a large number of van spaces – this would require regrading of parking areas or switchbacks with handrails. Again, we believe that this requirement will result in many more waiver requests, which are very time consuming. Affordable housing developers make reasonable accommodations, frequently at their own cost, to provide improvements for tenants. The vast majority of these requests do not include a full ADA parking spot. This requirement is excessively burdensome. We recommend that the ADA parking requirement for rehab projects remain at existing or code. (Sylvia Martinez, Community Housing Works)	
77	10325(f)(8)	We have concerns about not allowing the AHP to be an exception of committed soft funds at application. The timing of the AHP is very difficult to coordinate with the timing of the TCAC applications, especially now that the AHP has only an annual application that is right in the middle of the two TCAC application dates. So, for the first TCAC round, developers wouldn't have applied to AHP yet and for the second round, developers would have applied, but wouldn't know if they had been awarded. Since being competitive for the AHP typically means that you must be ready to start construction immediately or have already started construction, obtaining the AHP in the year prior to applying for 9% credits just won't work because applicants would not be competitive at that point. Since the AHP is relatively small compared to the rest of the funding sources, developers can often assume deferred developer fees until they get the AHP award. Without the AHP exception, we are concerned that developers would be in violation of the prohibition of substitution of funds, per section 10325(f)(3)(F).“Substitution of such funds may be permitted only when the source of funding is similar to that of the original funding, for example, use of a bank loan to substitute for another bank loan, or public funds for other public funds. General Partner loans or developer loans must be accompanied by documented proof of funds being available at the time of application. In addition, General Partner or developer loans to the project are unique, and may not be substituted for or foregone if committed to within the application.” (Rob Wiener, California Coalition for Rural Housing; Amie Fishman, Non-Profit Housing Association of Northern California) While overall, we support TCAC's efforts to require all soft funds to be committed at application, a special exemption should be made for the Affordable Housing Program (AHP) administered by the Federal Home Loan Bank. The timing of AHP is very difficult to coordinate with TCAC applications. AHP's annual application falls between TCAC's two application rounds, meaning that in the first round developers would not yet have applied to AHP and in the second round, they would not know if they received an award. Additionally, since AHP often requires a project to be ready to begin construction, applying for an AHP award the year	Staff continues to believe that it is inappropriate to assume an award of AHP funds when establishing project feasibility. In the very possible scenario that the project does not receive the award, the project immediately has a financing gap that could jeopardize the timely commencement of construction. Staff agrees, however, that a successful applicant should be able to substitute an AHP award for any other source of financing after reservation and proposes a corresponding amendment to Section 10325(f)(3). Such a substitution would only increase or maintain the project's tiebreaker score, so there is no competitive effect to allowing the substitution. No changes.

		prior to a TCAC application is not feasible. Since the AHP is relatively small compared to most other funding sources, developers can often assume deferred developer fees until they receive an AHP award. Without the AHP exception, we are concerned that developers would be in violation of the prohibition of substitution of funds, per section 10325(f)3(F). In sum, we support TCAC's efforts to clarify commitments to ensure that all applicants who compete for tax credits are ready to develop. However, due to logistical concerns, we request for TCAC to provide an exception for AHP funds. (John Fowler, Peoples' Self-Help Housing) We request that AHP continue to be excepted from the commitment requirement. The timing of AHP funding cycles is such that it can be difficult to have commitment of funds at application. At the same time, the AHP scoring is relatively predictable and we have found that we can predict with a high degree of confidence when a commitment will be obtained. TCAC's suggested fix to this is to show deferred developer fee in the application in the amount of the anticipated AHP award and then substitute AHP in later. This may be workable in some instances, but deferred developer fee at application is restricted in the regulations to 50% of the fee, and the AHP award may be higher than that amount. (Alice Talcott, MidPen Housing) Eden opposes the proposed change as written to require that all soft funds be committed at application for 9% projects. This requirement would be very challenging for developers seeking AHP funding given the application timing and readiness requirements for AHP funding. Though AHP funds are relatively small compared to other project funding sources, they are often critical to ensuring project financial feasibility, especially as construction costs tend to increase in the period between making a TCAC application and closing construction financing. Eden suggests that TCAC make an exception to allow AHP funds to be uncommitted at the time of application. (Andy Madeira, Eden Housing Inc.)	
78	10325(f)(8)(F)		No changes.
79	10325(f)(9)	We recommend that you delete the unneeded sentence in (D). (Mitch Crispell, BRIDGE Housing) We recommend for TCAC to reject this change. This rule change would continue to divert resources from small cities, towns, and rural areas. While half a million dollars in gap financing would be a relatively small amount of the overall budget for a project consisting of over 100 units, this amount could be put to better use closing gaps for multiple smaller projects. (John Fowler, Peoples' Self-Help Housing)	Staff withdraws the proposal to increase the maximum credit award to $3 million. Staff found compelling the arguments that only a very few regions can accommodate awards of that size and that the proposal has the potential for set-aside awards to greatly exceed their allocation. Moreover, the incentives for projects to adopt a hybrid structure should facilitate larger projects without increasing the 9% award limit. For next year, staff will consider revising the maximum credit award to account for the combined amount of federal and state credits.

		Many regions are allocated too few credits to fully take advantage of this change. There are only three regions (reduced to two if the Northern region is created) that can typically support a credit request of even $2.5 million. This will primarily affect the set-asides. NPH proposes that the $3 million should be in combined federal and state credit or kept at $2.5 million if only federal tax credits are concerned. Federal tax credits are a preciously scarce resource and the federal tax credit program is simply not growing at a rate where it can sustainably support this increase. Also, for projects in non-DDAs, state credit should count toward cap. (Amie Fishman, Non-Profit Housing Association of Northern California) We do not support this change. The reality is that most projects are limited in size by the credit amount available in the region, not because of the maximum project cap, so this will have very limited effect on encouraging larger projects. There are only three regions (reduced to two if the Northern region is created) that can typically support a credit request of even $2.5 million. This will primarily affect the set-asides. Because the set-asides use the $1 rule, a large credit request can create large deficits in the set-aside. Our concern is that the higher likelihood of large deficits could make the amount available from round to round more unpredictable, plus it would make it more likely that the housing type goals are exceeded within the set-asides, before any allocations are made from the geographic apportionments. In the first round, this would result in less credit available in the set-aside in the second round, and in the second round it could create conditions where the supplemental set-aside will not be sufficient, thus impacting the geographic apportionments. It should also be noted that there has always been an inequitable component to the project cap, whereby projects not eligible for the DDA/QCT boost are allowed to apply for state credit on top of this federal cap, while those that are in DDA/QCTs are held to the same federal cap. Increasing the federal cap will magnify this issue and increases the problem of the housing types goals being met in the set-asides, since state credit in the set-asides count toward the housing type goals. Should TCAC choose to increase the federal cap, we recommend that state credit be included within that amount. (Alice Talcott, MidPen Housing) We support this change. This improves feasibility for larger projects. Please monitor and evaluate whether $3M cap matches the needs of 100+ unit projects. While economies of scale may allow greater efficiencies, larger projects are generally in denser/higher cost markets, and accordingly an even higher cap may be more appropriate. (Cynthia Parker, BRIDGE Housing) Unless the pool of 9% credits is substantially increased, we do not support increasing the maximum tax credit award amount. Projects large enough to qualify for the proposed credit amounts would quickly deplete setasides and increase the unpredictability of allocations. Large projects of this size should instead be incentivized to pursue 4% tax credits. (Kevin Knudtson and Elissa Dennis, Community Economics)	Staff appreciates recognition of the typo in paragraphs (C) and (D) and proposes an amendment to combine those paragraphs into one. While staff will continue to apply the 150 unit limit to the 9% component of a hybrid project, staff will not limit the combined number of units in a hybrid project. As a result, a hybrid project could exceed 150 total units as long as the 9% component does not.

		While increasing the maximum award to $3 million for projects with more than 100 low-income units is justifiable, we believe that, as a result, TCAC will receive primarily 9% applications with unit counts in either the mid-60s (which seems to be the sweet spot for a $2.5 million allocation—at least in the Bay Area) or low-100s, since there is no incentive for projects in between. Moreover, we have found in many of the communities in which we work, projects receive much less opposition when they are less than 100 units (people have a negative emotional response to hearing a project is over 100 units). As such, we propose that TCAC also increase the maximum 9% federal tax credit award for projects between 65 and 100 units to $2.75 million. This will help make projects between 65 and 100 units more financially feasible—otherwise these projects may be artificially limited to unit counts which maximize the $2.5 million allocation (and nothing more). The increase to $2.75 million is a cost efficient way to develop more affordable units. In addition, the proposed paragraph (C) of Section 10325(f)(9) should be eliminated in its entirety since it conflicts with similar language in paragraph (D) of Section 10325(f)(9). (Bill Witte and Frank Cardone, Related California) Two clarifications are further needed within this section. First under subparagraph (A), how would the project size limit of 80 or 150 low income units depending upon location be applied in a hybrid project? Is the size limit only applicable to the 9% portion or the combined 9% and 4% projects? Second, under subparagraph (C), the maximum annual federal credit awarded to any one project in any funding round is $2.5 million. But under subparagraph (D), the maximum annual federal credit awarded to any one project 100 low income units or less in any funding round is $2.5 million and $3 million for projects larger than 100 low income units. These two subparagraphs seem to have some conflict. Aside from these two clarifications, it seems like the increase in the amount of annual credits for any one project will have very little impact unless a project is funded out of the set asides or located in a region where the amount of credits available is larger than $2.5 million or a region controlled by a single public jurisdiction. Thus we don't believe more large projects will be built through the 9% program as a result of this modification. Lastly, we would propose that the maximum amount of credits for a single project should be the combined federal and state credit. (Dan Wu, Charities Housing) We support this change. (Andy Madeira, Eden Housing Inc.) MHC supports this change as the credit cap is a key limiter to pursuing larger projects in some of the State's more urbanized settings. (Ed Holder, Mercy Housing)	

80	10325(f)(11)(C)	We strongly support. (William Leach and Rusty Leach, Kingdom Development) TCAC should consider what other proxies for rehabilitation need may exist, such as the minimum construction standards and rehabilitation threshold. Otherwise, there is a perverse incentive to serve only poorly maintained projects. (Ofer Elitzer, Cox Castle Nicholson) With respect to TCAC's goal that all resyndication projects have at least some minimal rehabilitation need in the near future, all resyndication projects must spend the mandated Minimum Rehabilitation Project Costs of $15,000 in hard costs per unit, which should not be remotely thought of or compared to "effectively a refinancing." In fact, many projects with higher valuations must meet an even higher threshold of "20% of the adjusted basis of the building" test which can easily increase the hard costs far beyond $15,000 per unit, and again, can hardly be considered a refinancing when that money must be spent on hard cost improvements to the project. In addition, many resyndication projects have low average affordability as a result of past CTCAC administrations. Rents and NOI's are depressed with low average affordability. Most responsible owners will spend/invest their operating reserves, replacement reserves, and operating budget into their projects annually and on an ongoing basis in order to maintain them as CTCAC Compliance, lenders, investors, cities, housing authorities, and their customers/tenants expect. After 15 years of operation, those reserve funds are exhausted, and projects must rely solely on the annual operating budget. The annual operating budget is not nearly enough to keep up with ongoing capital repair projects for projects 15 or more years old. As such, the only way to recapitalize the projects, extend their useful lives, and improve them through further investment, is to resyndicate them. Further, instituting a $5,000 per unit floor over the first three years, the Short-Term Work period, is effectively reducing the project's purchase price, robbing the projects of valuable acquisition basis and the corresponding tax credit equity gained therefrom, especially when tax credit equity dollars are the least scarce dollars in each project's capital stack. The CTCAC Regulations should not be restricting the attainment of tax credit equity dollars that are a vital affordable housing financing source. The Regulations should be promoting all avenues to increase the tax credit equity into every affordable housing project for long-term feasibility purposes alone. Today, soft loan dollars are scarce and equity pricing is down due to the threat of tax reform, so the only way to increase equity in projects is to maintain or increase each project's eligible basis. Artificially limiting the eligible basis by an arbitrary figure, which figure does not fit all project's particular needs and circumstances, seems to be pickpocketing the projects of critical, predictable, and plentiful project financing. We believe CTCAC should be welcoming with open arms any affordable housing project owners who, after 15 years of daily operations are investing in substantial and meaningful hard cost improvements that extend the useful lives of their properties, taking care	While staff understands the theory that any minimum rehabilitation needs standard could disincentivize project maintenance, staff believes that many other factors, including marketability of the units, counteract any such disincentive. Staff remains more concerned that public resources are not well used to facilitate the purchase or refinance of projects that remain under a TCAC regulatory agreement for as much as 40 additional years and that do not have significant rehabilitation needs. To the extent that a project's income and reserves are insufficient to keep up with ongoing capital needs, staff believes that the project will have no problem meeting a minimal rehabilitation need of $5000 per unit. It is projects with sufficient cash flow that can keep up with capital needs that will be affected by the proposed change. While this proposed change could reduce a project's acquisition value and eligible basis as a result of the existing requirement that project equity cover a project's short term work needs, staff stands by the regulatory decision made two years ago that sellers receiving equity distributions should share the burden of the rehabilitation needs with public resources. Otherwise, public resources are simply diverted to private profits. Even in an environment of unlimited 4% tax credits, this would be poor stewardship of the public trust. Staff opposes the suggestion to count ADA and energy efficiency improvements towards the $5000 per unit minimum rehabilitation need. A project is only subject to these upgrade requirements if it resyndicates. The concept of the proposed change is that the project should not resyndicate at all unless is has true rehabilitation needs. If not, the owner of the project and the public can save these upgrade costs. TCAC will continue to count all upgrade expenditures towards the separate requirement for projects to have at least $15,000 per unit in rehabilitation and upgrade expenditures. No changes.

		of their customer's homes, and extending the affordability period for another 15 or more years beyond the initial 55-year period. In other words, we need to maintain and invest in the affordable housing we already have. (Thomas Erickson, Highridge Costa Housing Partners) Although I understand the need for a $5,000/unit immediate work need for resyndications, I believe that a distinction needs to be made to the definition of immediate needs. In the case of a resyndication, the immediate needs should include additional rehab that would be required to meet TCAC's minimum construction standards. This would include ADA compliance, as a resyndication would not move forward and credits would not be awarded unless those required standards are met. These additional rehab needs would not be in the definition of immediate needs as it relates to Transfer Events, as those items would not be required to be completed unless a resyndication occurred. For instance, in the case of a 100-unit project that goes through a Transfer Event and eventual resyndication, the CNA may identify immediate needs of $300,000 at the time of the Transfer Event. However, at the time of resyndication, once the minimum construction standards are taken into account, the amount of immediate needs could be greater than $500,000. I would propose that TCAC modify the regulation slightly to have the $5,000 minimum immediate need in place for resyndications, but to allow that the resyndication CNA include items necessary to meet TCAC's minimum construction standards (i.e. ADA compliance etc.) or that the $5,000/unit include the minimum construction standards in addition to the immediate needs from the CNA. (Anand Kannan, CPP) We fully support this change and TCAC's efforts to ensure that resources are used efficiently. (John Fowler, Peoples' Self-Help Housing) TCAC should not set an arbitrary $5,000 minimum requirement for the short-term work need. We suggest that TCAC continue to rely on the dollar amount of short-term work detailed in the CNA report. TCAC should encourage re-syndications and not provide obstacles that are inconsistent with Federal Tax Law and ultimately could delay needed renovation to existing affordable housing in California. (Bill Witte and Frank Cardone, Related California)	
81	10325(g)	This requirement should not pertain to 4% re-syndication deals, where certain older sites may not meet current TCAC standards. This requirement should not pertain to Acquisition/Rehab deals that are creating new, not previously regulated, housing units. If 9% credits are proposed for acquisition/rehab of a previously income regulated building, we believe the bar should be set extremely high in terms of condition, needs etc. It is difficult to imagine the superior benefit of using 9% credits for renovation of buildings previously placed in service under the TCAC program, compared to creation of new units. Given the scarcity of this resource, 9% credits should be used primarily for creation of new affordable units, either through construction of new stock or acq/rehab of previously unregulated stock. (Scott Smith, Housing Authority of San	This proposed change does not apply to 4% projects as they are not required to select a housing type at all. Staff understands that existing projects may not have or easily be able to add play areas or common areas. Rehabilitating such projects is indeed meritorious. However, the 9% credit program is oversubscribed and competitive, and staff does not believe that projects that offer lesser public benefits should have equal access to an award. The regulations already provide for substitution of nearby parks for play areas and for joint use agreements that allow tenants at one property to use facilities at an adjacent property. In addition, the regulations allow a waiver of play area and common area

		Luis Obispo) While we agree that on-site amenities are vitally crucial in providing high quality resident services, this revision makes it more challenging to acquire, rehab, and preserve aging affordable housing projects. Sites may fall short of all the requirements, yet that does not mean they lack merit. Developers should be able to demonstrate they are meeting the requirements in other, more flexible ways, such as sharing a community space or laundry room at another project in the same city. We recommend this revision be removed as it limits our ability to preserve affordable housing. (Thomas Collishaw, Self-Help Enterprises) As an affordable housing community, we are constantly working to strike a balance between two important policy goals: improving the quality of life of our residents and increasing the availability of units. It is a challenging task to find compromise between these competing objectives. This change does not strike this balance and eliminates an important financing tool. Thus, we urge that it not be adopted. The 9% competitive tax credit is the only resource available for major rehabilitation and preservation projects. While the 4% pool provides financing for minor rehab work, the funding available is often inadequate to fix substantial deficiencies. For projects requiring ADA upgrades, increased energy-efficiency, foundational damage, structural work, MEP systems or considerable mold, asbestos, or termite mitigation, the 9% credit is often one of the few resources available and the scattered site option is often the most efficient way to finance such comprehensive work. Without this creative solution to address this important housing need, these projects will not be financially feasible. Replacement reserves often cannot keep up with the increased costs of an aging structure. Developers do not prefer the scattered site option, but it is often the only way to rehab small, older properties. By adding this hurdle, TCAC is discouraging recapitalization of these older properties and places them at risk of losing affordability. Properties that require substantive rehabilitation, by their very nature of being much older developments, often do not comply with TCAC's existing standards for community rooms, play structures, or laundry facilities. Many of these projects were often acquired to preserve affordability and were originally financed through HOME or USDA loans prior to the existence of TCAC, and therefore, built to different standards. Furthermore, even if a project were able to receive enough soft funds to absorb the tremendous cost needed to ensure each site complied with TCAC's new construction standards for each project independently, it may still be difficult, if not impossible, for the project to receive entitlements from a local jurisdiction to comply with the proposed rules. For example, older projects located in an area that was rezoned would be a legal non-conforming use, and therefore, unable to comply with the proposed regulation change without a costly, timely, and risky rezone. In a worst-case scenario, some residents may even need to be permanently relocated for a built-out project to comply with the proposed regulations. TCAC already recognizes the inherent challenges that exist with	requirements for rehabilitation projects or sites that have existing facilities below the square footage standard, although sites with no such facilities do not qualify for a waiver. Nor does staff agree that sharing facilities "in the same city" is adequate. TCAC will continue to interpret the regulations such that it is the minimum number of units at each site that triggers the threshold for providing the required amenities, as opposed to the total unit count in aggregate of the various scattered-sites. No changes.

		acquisition or rehabilitation projects, which are often built to different standards. Due to the particular circumstances that force a developer to finance a scattered site rehab project though the 9% credit, these challenges are often exacerbated. The proposed change not only decreases the availability of affordable housing, but it also undermines the quality of life for residents of affordable housing. Developers typically utilize the 9% tax credit for rehab scattered-site projects because the properties are in dire need of major repairs, which directly impact residents' overall quality of life. Mold, asbestos, and termites directly impact the health residents. Old and unreliable appliances can not only be a nuisance, but can be inefficient and result in higher energy costs for residents, or may prove dangerous. While common areas and community spaces are important, our resources should prioritize healthy living spaces first and foremost. (Rob Wiener, California Coalition for Rural Housing) As an affordable housing community, we are constantly working to strike a balance between two important public policy goals: improving the quality of life of our residents and increasing the availability of units. It is a challenging task to find compromise between these competing objectives. This change does not strike this balance and would eliminate an important financing tool. The 9% competitive tax credit is the only resource available for major rehabilitation and preservation projects. While the 4% pool provides financing for minor rehab work, the funding available is often inadequate to fix substantial structural or health deficiencies. Furthermore, replacement reserves often cannot keep up with the increased costs of an aging structure. For projects requiring new flooring, roofing, plumbing, site drainage, or ADA compliance, the 9% credit is the only feasible option and the scattered site approach is often the most efficient way to finance such comprehensive work. Most developers would prefer to utilize the 4% option, but the high cost of a major rehab as well as the limited soft funds available make the competitive 9% market the only way to finance these projects. Without this creative solution to address this important housing need, many major rehabs would not be financially feasible. As an example, Peoples' Self-Help Housing's scattered site project, Cerro Alto, is not be able to compete in the 4% market given the extensive work identified in the Capital Needs Assessment. This project's budget is entirely needs-based, with the exception of a solar panel addition. We would prefer to apply for 4% credits, but the $4-5 million gap in this project's needs-only budget, makes this option untenable. Properties that require substantive rehabilitation, by their very nature of being much older developments, often do not comply with TCAC's existing standards for community rooms, recreational areas, or laundry facilities. Many of these projects were often acquired to preserve affordability and were originally financed through HOME or USDA loans prior to the existence of TCAC, and therefore, built to different standards. TCAC already recognizes the inherent challenges of meeting building standards that exist with acquisition and rehabilitation projects, which are often held to different standards than new construction. Since scattered site 9% projects are	

		typically older properties in need of major rehab, this problem is often exacerbated, as these projects are often twenty to thirty years old. Therefore, it would be extremely costly and challenging to retrofit such sites to meet TCAC's proposed on-site amenity requirements. Furthermore, even if a project were able to receive enough soft funds to absorb the tremendous cost of complying to the Proposed Changes for each site independently, it may still be difficult, if not impossible, for the project to receive entitlements from a local government. For example, older projects may have been rezoned over the years, thereby creating a legal non-conforming use. Pacific View, one project in the Cerro Alto scattered site, is a prime example, as this property would need to be rezoned back to multifamily residential use from its current neighborhood commercial use. This adds time and cost to a rezone that might not even be guaranteed to happen. In order to comply with the Proposed Changes, such a project would be prohibited from modifying a building's footprint without a rezone. In a worst-case scenario, some residents may need to be permanently relocated if a building's footprint cannot change or if a site is built-out. We know that TCAC is well-aware of the challenges of preserving affordable housing as affordability covenants begin to expire. If the Proposed Change is enacted, the financial and entitlement constraints listed above could lead to the loss of more affordable units, specifically for older projects in need of major rehabs. This Proposed Change would also adversely affect the quality of life of our residents. Developers utilize the 9% tax credit for scattered site rehabs because the properties are often in dire need of major repairs, often including asbestos, mold, termite, or other health hazard mitigation. While on-site amenities such as a community room, recreational area, or laundry facility are certainly a nice addition to a property, it should be considered secondary to creating healthier and more accessible units our residents. Our limited resources should prioritize safer living spaces, first and foremost, not shared community spaces. We recommend that this change only apply to new construction projects. Acquisition, rehabilitation, and resyndication projects should be exempt from this rule, due to the constraints listed above. At a minimum, this change should be delayed to allow pipeline projects to proceed. (John Fowler, Peoples' Self-Help Housing) We request that TCAC clarify in this section that it will continue to be the minimum number of units at each site that triggers the threshold for providing these amenities, and not the total unit count in aggregate of the scattered-site project. (Andy Madeira, Eden Housing Inc.)	
82	10325(g)(1)(A)-(C)		No changes.

83	10325(g)(1)(H)		No changes.
84	10325(g)(2)(A)		No changes.
85	10325(g)(2)(B)	Generally 100% of our senior units use universal design and are on accessible paths. The requirement for 25% of the parking spaces to be accessible is going to be problematic. Accessible parking requires a lot more physical space: the space must have standard width (not compact) and adjacent clearance for unloading that is basically the same size as parking space, but the real kicker is an accessible path of travel to the door. Accessible paths are not allowed to be in the drive aisle, with people walking behind cars. So, in addition, we will need to provide walkways that we don't currently have. This will significantly reduce the number of parking spaces we can provide, which will then cut the overall unit count. (In LA, you build what you can park.) The requirement is also linked to the number of units, not the number of parking spaces provided. New LA regulations have just been adopted allowing for 100% affordable housing to have no parking at all if they meet certain TOD requirements. The current language in the proposed regulation change will have the effect of TCAC requiring more parking than the local jurisdiction. I don't think this is the intention. (Jesse Slansky, West Hollywood Community Housing Corporation) We strongly oppose this change as it results in more physical space required for parking. As an owner of over 1,000 units of senior housing, we do not have a problem with the amount of accessible parking when following standard building codes and federal requirements. The additional space required for accessible parking is substantial, which means more land and/or a larger parking structure is needed. In the case of a concrete podium, where parking can cost between $30,000 and $50,000 per space, this will be financially devastating. Additionally, accessible parking spaces must be a) built nearly flat (no greater than 2% slope), b) the closest spaces to the building entrance, and c) always accompanied by an aisle for wheelchair travel. Additionally, those spaces can't be used by seniors unless they have an approved disability placard in their vehicle. So what happens? All of these spaces go unused, forcing seniors to walk even further to the building. Please eliminate or substantially modify this proposed change so that we can default to the building codes. As it is, the current TCAC regulations could be interpreted to force us to provide 1 accessible parking space for every accessible unit, because that is what current building codes require for accessible units. The proposed parking	Since the publication of the proposed regulation changes, the Division of State Architect has clarified that TCAC's higher requirements for mobility accessible units do not affect building code parking requirements. For projects with parking ratios of 1:1 or greater, the building codes require a number of accessible parking spaces equal to 5% of the units. For projects with lesser ratios, the building codes provide a chart specifying the number of accessible spaces required. With this clarification, staff sees no need to address the issue of accessible parking in the TCAC regulations and withdraws this portion of the proposed regulation change. Building code requirements for accessible parking will apply to TCAC projects. The only remaining proposed changes to this section relate to the clarification of unit terminology and the authority for the Executive Director to grant a waiver for rehabilitation projects.

		language should be stricken and replaced with "except that the project shall only have to provide accessible parking spaces for 10% of all Low-Income Units". (Caleb Roope, Pacific West Communities) We support the proposed changes regarding accessible parking in senior project, so long as there are accessible spaces for at least 10% of the dwelling units in both new construction and rehabilitation projects. We recommend changing the language on rehabilitation projects to read "shall provide accessible parking spaces equal to the greater of 12.5% of all Low-Income Units on an accessible path (ground floor and elevator-serviced) or 10% of all Low-Income Units. (Dara Schur and Natasha Reyes, Disability Rights California) Accessible parking is a very complicated issue that TCAC should refrain from further regulating and instead rely on state code. We are concerned that more accessible parking means less parking overall, and in addition, creates issues with assigning parking as accessible parking is generally not assigned. We also support having a waiver option for rehabilitation projects and recommend that parking should be based on percent of parking space provided and not on a unit ratio. This allows projects to be context sensitive. (Amie Fishman, Non-Profit Housing Association of Northern California) We find these clarifications to continue to be confusing. Accessible parking is a very complicated issue that TCAC should refrain from further regulating and instead rely on state and local code. (Alice Talcott, MidPen Housing) Parking requirements should be based on state or local requirements. Furthermore, requirements should be based on parking spaces provided, not a unit ratio. This enables projects to be context sensitive in how much parking they provide. We support the waiver option for rehabilitation projects. (Cynthia Parker, BRIDGE Housing) Requiring additional accessible parking, beyond that required by code, for senior developments would increase the site area devoted to parking and therefore limit the number of affordable units able to be constructed, which is not good public policy. (Bill Witte and Frank Cardone, Related California) We believe that the ADA parking space requirement for Senior Housing is excessive. Costly structured parking, density bonus law, TOD/sustainability goals, and TCAC basis regulations are trying to deemphasize parking in general. With such reduced parking standards, particularly for senior projects, we cannot create additional ADA spaces. Said spaces will not count to the minimums required for code because they can only exclusively be used by those with an ADA placard. Thus, this requirement will actually force developers to put in additional parking to satisfy both code and TCAC. With respect to rehabilitation projects,	

		this requirement is simply infeasible in many cases because of existing zoning and parking requirements. We believe that this requirement alone will result in a great many more waiver requests for CTCAC to review. Most rehabs are garden style apartments, and their ADA parking stems from older zoning requirements. To create van spaces, existing parking spaces would have to be brought offline – either to create the wider spaces or because the existing tenant population does not have the required ADA placards to park in these spaces. In addition, the project would be subject to code enforcement issues from the City for reducing the required parking on the site. Finally, many sites cannot provide ADA path of travel to a large number of van spaces – this would require regrading of parking areas or switchbacks with handrails. Again, we believe that this requirement will result in many more waiver requests, which are very time consuming. Affordable housing developers make reasonable accommodations, frequently at their own cost, to provide improvements for tenants. The vast majority of these requests do not include a full ADA parking spot. This requirement is excessively burdensome. We recommend that the ADA parking requirement for rehab projects remain at existing or code. (Sylvia Martinez, Community Housing Works) Under State Government Code Section 65915(p)(3)(B), senior housing only needs to provide 0.5 space per unit if it is located within one-half mile of fixed bus route service that operates at least eight times per day. For a hypothetical 100 unit multi story senior housing project with an elevator, we would only need to provide a total of 50 parking spaces under the State code. But with the proposed TCAC overlay, we will need to provide 25 out of the 50 parking spaces as accessible parking spaces or 50% of the total number. From an architectural perspective, the required amount of parking generally drives the density of any given project. Under a traditional surface parking scenario, it takes three conventional spaces to accommodate two accessible spaces. And as we look to gain more efficiency by incorporating parking lifts into our design, it would take five to eight parking spaces (depending upon double or triple deck) for every two accessible parking spaces. Thus, we will either lose density or have the added costs of structure parking either above or below grade. From a property management perspective, while we could assign unused accessible parking spaces to able body residents similar to leasing an accessible unit, we would need to remove all accessible parking signage and markings associated with the space. And if a resident requests an accessible parking space after an accessible space has been converted, we would need to give notice to the able body resident occupying the space to vacate as well as re-install all related signage and markings. Thus from a cost and operations standpoint, converting spaces back and forth is really not an option and we would keep all accessible parking spaces vacant until a handicapped accessible resident requests it. Lastly as we look toward the future, there will most likely be less car ownership with the increase of ridesharing and autonomous vehicle. Once we used the land for the additional accessible parking spaces, it will be very difficult for it to be transformed into additional housing units. For these reasons, we believe	

		this additional accessible parking spaces requirement does not seem to be the best utilization of resources. If TCAC is insistent on increasing the number of accessible parking spaces, we propose TCAC to increase the number to be no more than 50% more than the number required under California Building Code Chapter 11(B). (Dan Wu, Charities Housing) We oppose the proposed change in which TCAC imposes a minimum number of accessible parking spaces. The number of parking spaces required can be one of the most important determinants of how many units can be built on a parcel. An accessible parking space requires significantly more dimensional space than a non-accessible parking space, so this rule will decrease the number of units in a development. We believe this is counter to TCAC's push for lower-cost and larger (higher unit count) developments. As an example, a 60 unit development built with the minimum number of parking spaces under AB 744 will have 30 parking spaces (0.5 spaces/unit ratio); the California Building Code requires 2 of the 30 spaces to be accessible parking spaces. According to TCAC's proposed change, 15 of the 30 spaces would need to be accessible. Typically, 2 accessible parking spaces can dimensionally fit into the same footprint of 3 non-accessible parking spaces, and therefore only 9 accessible spaces fit in the footprint of 13 non-accessible spaces, resulting in 26 total parking spaces. AB 744 only allows for 52 units with 26 parking spaces, resulting in the loss of 8 units. In its history, TCAC has not put requirements on parking other than requiring adherence to the California Building Code 11B. We advocate that TCAC not begin regulating parking now, as it has a direct effect on reducing the number of units that can be built. (Andy Madeira, Eden Housing Inc.) This change is in direct opposition to TCAC's goals of reducing costs. Accessible parking requires a lot more physical space. Additional walkways will need to be provided reducing the number of spaces that developers are able to provide without more land. In Los Angeles, parking requirements in some instances are below this requirement. We recommend accessible parking be based on the building code requirements, or at least based on a percent of parking provided, rather than percent of accessible units. (Amy Anderson, PATH Ventures)	
86	10325(g)(2)(D)		No changes.
87	10325(g)(2)(E)		No changes.
88	10325(g)(3)	We support the combination of the SRO and Special Needs housing types. (Rob Wiener, California Coalition for Rural Housing) We support this change. (Alice Talcott, MidPen Housing; Ed Holder,	Staff is not aware of how meeting the criteria of a special needs project adds costs which make the rehabilitation of an existing SRO project even harder to complete. The existing housing type requirements are essentially the same. Moreover, the special needs

		Mercy Housing; Richard Mandel, California Housing Partnership Corporation) We support TCAC's proposal to fold the SRO housing type into the special needs housing type. This is reflective of the change in best practices for supportive housing in our field. (Kevin Knudtson and Elissa Dennis, Community Economics) We support combining the Special Needs and Single Room Occupancy (SRO) housing types into one Special Needs category. Multiple funding sources favor supportive housing with kitchens and bathrooms over the SRO model, based on data showing tenants remain housed for longer periods and more stably when their unit is an apartment that reflects permanency over a hotel or dorm-like room. As such, TCAC applications now much more commonly fall into the special needs category than the SRO category. Since SROs generally serve the same population as supportive housing projects falling under the special needs category, combining these categories make sense. (Sharon Rapport, CSH) We oppose the elimination of the SRO housing type as it closes off access to any non-special needs or non-senior SRO to the 9% credit. Given the long timelines associated with development, immediate elimination of an entire project type is potentially detrimental to projects already in developers' pipelines. As we understand the changes, the only way for Eden to complete a 9% execution for an SRO building that we currently own would be to add a special needs designation to 25% of the units. While we agree that these properties often serve those with special needs, meeting the criteria of a special needs project adds costs which make the project even harder to complete. These buildings often have significant capital needs due to the age of the buildings. Many housing authorities and other public agencies own many of these converted hotels and would also face challenges in accessing a 9% credit to upgrade these facilities. If TCAC intends to move forward with the elimination of the SRO housing type, we recommend committing to expire the housing type in five years, but not immediately. (Andy Madeira, Eden Housing Inc.)	definition includes various populations, not all of which require an intensive level of services. No changes.
89	10325(g)(4) – housing type standards	As written, these changes would require the non-special needs units to meet the Large Family, Senior, or a mix of larger units. TCAC should provide flexibility to allow for the non-special needs units to be all studios – which is a flexible, non-age restricted product type that still provides much needed housing to our most vulnerable population. (Amie Fishman, Non-Profit Housing Association of Northern California) We think further clarification may be needed for special needs projects that are less than 75% special needs. The questions we had included: If it is more than one housing type, does it still qualify for the Special Needs Set-aside? If it meets another housing type definition, can it choose which one to apply as? Specifically can it apply as family even if the entire project doesn't meet the family type definition? We suggest that projects	The proposed changes specifically provide that if a project is less than 75% special needs units, the non-special needs units may consist of "at least 90% SRO units as a percentage of Low-Income Units" in lieu of larger units or a second housing type. As with any project that meets the requirements of more than one housing type, TCAC will allow the applicant to select the housing type, and TCAC will review and award the application according to that housing type. With the exception of an at-risk project (see Section 10325) that also meets the criteria of a special needs project, an applicant will have to select the special needs housing type to compete in the special needs set-aside. A project cannot apply as a large family project unless the project in its entirety, not

		with less than 50% SN units may choose which housing type to apply under, but those that are more than 50% SN units be considered as special needs for application purposes. (Alice Talcott, MidPen Housing)	just the non-special needs units, meets the large family housing type requirements. No changes.
90	10325(g)(4) – special needs threshold	We support this change. By lowering the minimum percentage of special needs units, TCAC will expand the number of diversity of projects eligible to pursue a special needs tax credit award. In light of the extreme difficulty in securing local land use and financing commitments, this expanded eligibility should help local advocates for special needs populations pursue a greater number and variety of development opportunities in diverse communities, including rural communities where it might be difficult to achieve a 50% minimum. This change is particularly warranted for persons with developmental disabilities. Projects that foster greater integration will be eligible for the special needs category, which is consistent with the goals of the Lanterman Act, the federal Medi-Cal Home and Community Based Services waiver, the HUD 811 PRA program, and the Olmsted decision. (Janette Stockley, Housing Choices for Persons with Developmental Disabilities, Inc.) We support this change. It supports the Olmsted decision and guidance from the federal Departments of Justice and Housing and Urban Development. (Natasha Reyes, Disability Rights California) We oppose this change because the special needs set-aside would end up funding non-special needs units. If TCAC feels a need to be more consistent with HCD, it could lower the percentage to 49%. (Ben Rosen, Skid Row Housing Trust) We strongly oppose this change. It reduces the number of special needs units developed by as much as 50% at the same time that the need for such housing is accelerating greatly. While TCAC argues that any such reduction will be offset by other sources of funding, such new funding was developed to supplement, not supplant, existing resources as well as offset year of reductions in other funding sources. The City of LA previously produced about 300 units per year of permanent supportive housing. Proposition HHH was designed to produce an additional 700 units, which is still significantly below the need. Any reduction in the targeting of 9% credits to special needs persons would undermine the City's efforts to meet this goal. We could support a change in the minimum threshold to 49% of units to align with HCD and address any Article 34 concerns. (Supportive Housing Alliance; Cristian Alexis Ahumada, Clifford Beers Housing; Ben Rosen, Skid Row Housing Trust) We agree with this proposal. We recognize that a healthy environment is created when projects blend homeless and special needs households in smaller concentrations, creating an integrated, service-enriched community that benefits as a whole from the diversity of its population. In this approach, populations will not be isolated or segregated just because	Staff has long struggled with the competing goals of facilitating greater integration of special needs units and in maximizing the number of units serving persons with special needs. The comments trend in both directions. Upon further reflection, staff believes that maximizing the number of units serving persons with special needs is the higher priority. Staff proposes an amendment to require special needs project to include at least 45% special needs units. This minor adjustment from the current 50% threshold will align with public funding programs that allow no more than 49% of units to serve a single special need. Staff notes that a project selecting any housing type can still offer a lesser or even equal percentage of special needs units. Given the various new funding sources for special needs units, developers will have ample incentive to include special needs units in their projects, even if less than 45%. To the extent they do so at less than the 45% threshold, it will result in a greater number of aggregate special needs units when combined with the projects that exceed 45%. Staff further notes that the only competitive benefit a developer received under the 25% special needs threshold proposal was the ability to compete in the special needs set-aside. Given how oversubscribed that set-aside is and that special needs projects are more often skipped than other housing types, staff believes that many applicants with less than 45% special needs units will be better off choosing another housing type. Staff does not support the suggestion to set a maximum percentage of special needs units in a project. Not only may 100% special needs projects result in more guaranteed housing opportunities for persons with disabilities, but staff believes that such projects are generally integrated into the larger community, particularly given their commonly smaller scale.

		they are formerly homeless or have a disability. This population integration allows naturally occurring opportunities for residents to learn from each other, share diverse experiences, create bridges and live in an environment that encourages personal growth. It allows permanent supportive housing to create a service approach that will reflect a households' changing needs over the longer term instead of the existing presumption in much permanent supportive housing that households receive intensive services for one to two years and then "graduate" out of the housing units. In Los Angeles, where affordable housing is at such a premium, this approach is even more necessary, creating true permanent supportive housing that keeps residents in their housing and meet their individualized service plan goals over a longer period of time. (Douglas Guthrie, Housing Authority of the City of Los Angeles) We support reducing the threshold for special needs projects. In rural areas, mixing special needs populations within projects is often the only way that they become politically palatable. Going forward, it will be important to make funding sources such as No Place Like Home consistent with this new TCAC standard. (Thomas Collishaw, Self-Help Enterprises) We support the combination of the SRO and Special Needs housing types, but we object to the combined effects of the proposed 30% housing type goal and reduction in the number of special needs units required to qualify as Special Needs. We were dismayed to note the significant numbers of Special Needs projects that were skipped in both 2017 competitive rounds due to the housing type tiebreaker. We believe that the proposed changes will result in even fewer special needs units being funded than are funded under the current system. We believe the proposed housing type goal will, in and of itself, result in more special needs projects being skipped than under the current regulations. If the special needs definition is also amended to allow as few as 25% special needs units, the special needs housing type could well end up funding fewer special needs units in total than the current regulations. Further, nothing in the current regulations prevents or penalizes a family or senior project from dedicating a minority of its units (25% for example) to serve a special needs population. We are aware of numerous projects that have done so. In the end, we feel that the 25% threshold is a solution in search of a problem and should be abandoned. More broadly, we note TCAC's position that the tax credit program should not veer towards exclusively funding special needs projects. However, we do not feel it is good public policy to further constrain the competitive chances of those projects that serve the most needy and difficult to house. The homeless preference in the non-profit setaside and the special needs setaside were intended to ensure that a minimum amount of resources flows to such projects, not set a maximum. In addition, the current proposal runs counter to state and local trends. For example, the State of California is set to pour resources into these projects via both existing programs (VHHP, MHSA / SNHP) and new programs (SB 3 / MHP-SH, NPLH). While some portion of these projects will use	

		4% credits and bonds, a significant slice will require 9% credits to be viable. In light of these concerns, we recommend the following: 1) The combined special needs & SRO housing type goal should be 40%, which is the combination of the current goals for each housing type. 2) The qualifying number of special needs units for the Special Needs housing type should be set at 49%, which is consistent with HCD's proposed cap for the No Place Like Home Program and which doesn't veer away from the current 50% minimum requirement. (Rob Wiener, California Coalition for Rural Housing) This change will allow for more integrated special needs projects that will be easier to gain approvals, underwrite, and manage. (John Fowler, Peoples' Self-Help Housing) We oppose this change. This will reduce the amount of PSH units funded through the special needs set aside. 25% PSH projects should either compete in another set aside, or compete in the 4% competition. It should also be noted, that No Place Like Home funds, through HCD, are envisioned to be funded through the 4% program similar to AHSC & VHHP. (James Silverwood, Affirmed Housing) Assuming the development goal for the combined special needs and SRO category remains at 40%, we support the proposal to reduce the minimum percentage of special needs units in a special needs project from 50% to 25%. This is an important step toward facilitating housing developments that do not isolate and segregate people with "special needs," particularly people with disabilities. However, we strongly oppose any reduction in the overall percentage of special needs units. In addition to maintaining the 40% goal and lowering the special needs unit minimum to 25%, we urge TCAC to track both the overall number and the percentage of special needs units built in the year these proposed changes are implemented. Should there be a significant reduction in the proportion of special needs units built, we may support increasing the minimum in order to meet the dual goals of fostering community integration AND not reducing the number of units developed for people with special needs. We are also concerned that continuing to allow 100% special needs projects works against community integration. We recommend setting a maximum percentage of special needs units in a single project to maximize community integration opportunities without reducing the proportion of special needs units built with tax credits. In light of statutes that require at least 50% special needs units to be eligible for the federal basis boost and state credits ("double dipping"), this cap may include an exception for statutes and other funding sources that require higher percentages of special needs units. Both DOJ and HUD have determined, in a variety of contexts, that any policy targeting occupancy by people with a particular disability at more than 25% can result in a segregated and discriminatory environment. We appreciate that TCAC has underscored the significance of community integration in the proposed changes and statement of reasons but fear that continuing to	

		allow 100% special needs units in a single project will result in isolation of residents. To be clear, any cap cannot be interpreted to preclude occupancy of other units by people with disabilities, especially accessible units. But we are concerned that the current code permits developments where all units are restricted. (Dara Schur and Natasha Reyes, Disability Rights California; Kara Brodfuehrer and James Grow, National Housing Law Project; Lauren DeMartini, Bay Area Legal Aid; Mike Rawson, The Public Interest Law Project; Sarah Steinheimer, Legal Services of Northern California; Ilene Jacobs, California Rural Legal Assistance Inc.; Navneet Grewal, Western Center on Law and Poverty; Ashley Werner, Leadership Counsel for Justice and Accountability) We believe lowering the definition of special needs from 50 to 25% would encourage groups like ours to commit to producing housing for this type of household within our large family housing sites. We have historically only developed family housing; however, our Board of Directors are now having serious discussions around integrating housing to target different household types. The challenge with the current percent definition of special needs makes it daunting to propose a special needs project where 50% of the units must be dedicated to this household type. If the percent of special needs where lowered to 25% would make us almost certain to develop special needs housing within our large family sites in the very near future. Other groups including funding from the MHSA program have historically sought to de-concentrate poverty and special needs household types by limiting their units based around the resident to case management staff ratio. We believe lowering the special needs to 25% is consistent with MHSA's 25:1 resident to case manage ratio. There are some groups like the TAY household types that are underserved in TCAC funding projects relative to the other housing types so by lowering the special needs percent would incent developers like us to develop housing for these household types. We encourage you to adopt 25% special needs threshold definition. (Jesus Hernandez, Community Corporation of Santa Monica) We support this proposed change. We also recommend that this requirement align with other local requirements, for example, San Francisco has a 20% requirement. Aligning program goals between multiple funding sources will facilitate development of affordable housing for special needs populations. (Amie Fishman, Non-Profit Housing Association of Northern California) We support this change. (Alice Talcott, MidPen Housing) We support the concept of reducing the minimum percentage of special needs units in a special needs project. However, rather than reducing this floor to 25% as proposed, we suggest that the floor be reduced to 49%. This is consistent with the caps of pending State funding programs such as No Place Like Home. While we appreciate the "concentration" concerns that TCAC is managing for, we are concerned about the impact of	

		dispersing special needs populations across a great number of developments, with developers that have varying levels of experience serving these populations. From a property management and service provision perspective, there are economies of scale in serving higher concentrations of special needs populations in single developments. These economies (along with the cultural competency of experienced providers of supportive housing) are jeopardized when dispersion occurs; the impact of which could likely entail the deterioration of service to the detriment of this housing type's intended beneficiaries. (Brian D'Andrea, Century Housing) We support this policy goal. This requirement should align with local requirements for homeless or special needs in their projects, so that those projects would be eligible for tax credits as a special needs project. For example, San Francisco has a requirement that 20% of units be designated for formerly homeless households. Aligning program goals between state and local funding sources will facilitate development of affordable housing. Therefore, if the percentage is reduced, we suggest 20% instead of 25%. (Cynthia Parker, BRIDGE Housing) We are concerned about reducing the requirement to only 25% special needs units to define a Special Needs project. We agree with your desire to better integrate people with special needs into a general population. But we fear that the 25% threshold would result in fewer apartments being constructed for special needs residents at a time of tremendous need for this housing. The lower threshold also could encourage developers to include those units without fully incorporating the necessary services to truly provide supportive housing. We urge you to revise the requirement to 49% special needs, which would correspond with requirements of the No Place Like Home program. (Kevin Knudtson and Elissa Dennis, Community Economics) We strongly urge TCAC to rescind this change. While we recognize that this change could potentially encourage more developers to apply to build units under the special needs set aside and lead to a net increase in total special need units, we are deeply concerned that this change will lead to far fewer special need units being built with TCAC funding. There is considerable potential for TCAC to fund a similar number of total units in the special needs set aside but with a greater portion of those units being constructed as non-special need units on account of the lower threshold, thus reducing the efficiency and effectiveness of the TCAC program in producing affordable units for special needs populations. With 57,794 persons experiencing homelessness in Los Angeles County, a dramatic increase in supporting housing units is needed. Voter in LA County approved local funding measures to address homelessness based on an understanding that these resources are needed to rectify a severe shortfall in special needs units, not to supplant other sources of funding and maintain the status quo. In addition, we do not believe that maintaining a threshold of 50% would raise any issues under the Olmstead decision.	

		Special needs developments have operated with considerably higher set asides than 25%, in many cases up to 100%, without compliance problems. Developments with high special needs set asides can achieve compliance by remaining integrated with surrounding communities and woven into the fabric of the neighborhoods in which they reside, regardless of the percentage of special needs units. (Peter Lynn, Los Angeles Homeless Services Authority) We agree with the policies TCAC staff attempted in this section: to promote integration, prevent conflict with other state and local programs, and ensure programs are in compliance with guidance and principles of the Olmstead Supreme Court decision. However, we have significant concerns with reducing the requirement to 25% and therefore recommend changing the set-aside of special needs units to a percentage closer to 49%. While the staff goals are consistent with CSH goals, this change without additional changes to TCAC regulations presents significant concerns. 1) The proposed change will result in fewer special needs units. TCAC staff have not proposed any measures to counter the reduction in units for special needs populations the change would most certainly produce. On the contrary, lowering the combined special needs and SRO housing goals, in combination with this change, would lower the number of units produced for special needs populations, at a time when the State's homeless crisis is growing. Local programs often model their requirements on TCAC's, and so any decrease in the special needs set aside will certainly reduce the overall number of units developed for these populations. Almost 16,000 more Californians are experiencing homelessness in 2017 than in 2015—over a 13% increase statewide—even though communities are housing more homeless people than ever before. Some communities with high housing costs experienced much greater increases in people experiencing homelessness and chronic homelessness. These statistics call for TCAC policies promoting the development of additional supportive housing units, rather than fewer. 2) This proposed change would entice more affordable housing developers to build special needs projects, without building the capacity of these developers to create special needs units. Building special needs units differs from building affordable housing. We favor incentives for more developers to create supportive housing, yet have concerns that quality of that housing, property management, and services would suffer without simultaneously building the capacity of these developers to understand the challenges, nuances, and very specific needs of populations they may be serving. Even though TCAC regulations set experience requirements for special needs developments, a developer new to supportive housing and culturally incompetent in serving tenants would not understand navigating adequate service provision, especially if only a few of the project's units serve the population. A developer who has never created supportive housing, let alone housing for people with serious	

		mental illness experiencing chronic homelessness for decades, may not partner with the appropriate property manager to ensure tenants are not evicted or leave in their first year of tenancy. Bringing more developers into the supportive housing industry is a good goal, but requires building capacity to create quality supportive housing. 3) Choosing an arbitrary floor—25%—without a basis for this number presents challenges in implementation. Lowering the percentage can make onsite services harder to fund, for example. We appreciate the conversations with community leaders on this topic, but, without a deeper assessment of the appropriate threshold, 25% seems arbitrary in a time of great need for these units. 4) Lowering the percentage does not address TCAC staff's concern about the Olmstead decision. The Olmstead case, and the relevant Fair Housing laws regarding integration, promotes fostering opportunities for people with special needs to live independently. Lowering the total number of special needs units produced could, in fact, counter this goal. As TCAC staff acknowledged, concerns about over-concentrating people with disabilities in one building do not apply to special needs projects in general, since special needs populations are not necessarily disabled under TCAC regulations and, as a threshold requirement, nothing in this regulation or the proposed changes to the regulation would prevent a developer from building a project that over-concentrates people with one type of disability. For these reasons, while we agree with the principles TCAC staff identified, we recommend a more thoughtful, thorough approach to determining how to achieve these goals. We recommend examining the following factors before landing on a specific set aside: A) Before lowering the threshold, TCAC should examine how staff can ensure this change does not negatively impact the total number of special needs units developers will produce. TCAC should review regulations as a whole, and propose changes that could provide incentives for developers to build more, rather than fewer, units for special needs populations. The regulatory changes currently under consideration could, in fact, already lower the number of units built for special needs populations. Local programs often mimic or follow TCAC requirements, and so whatever set-aside TCAC lands on will have ripple effects. B) TCAC staff should research the number of special needs units required to support the provision of intensive services onsite. A change to this regulation could include a numeric floor, in addition to a percentage, as one example. We previously found that a project must include 15 units of supportive housing for onsite services staff to operate effectively and services funding to pencil out. C) TCAC staff should think through how to ensure quality of the special needs units created beyond the existing requirements, if lowering the goal sufficiently to attract developers not experienced in creating projects for special needs populations. D) Similarly, TCAC staff should consider whether the State is supporting or can support capacity building of developers not experienced in creating projects for special needs populations. Though we disagree with lowering	

		the special needs set-aside to 25%, we urge TCAC staff to change the current threshold to a percentage closer to 49%. Given that Article XXXIV of the California Constitution required HCD to limit the percentage of units the No Place Like Home program can fund to 49%, a TCAC requirement that requires a developer to set aside at least 50% of units for people experiencing homelessness necessitates an additional source of capital funding to meet the 50% floor. The difference between No Place Like Home's 49% of a project's units and TCAC's requirement for 50% of units would be the difference of a single unit in any project with 100 or fewer units. We recommend requiring projects to set aside closer to 49%, rather than 50%, of a project's units for special needs households. We recognize that creating a set-aside of at least 49% could mean all No Place Like Home projects include exactly 49% of special needs units, and so TCAC may choose to lower slightly to accommodate some flexibility. (Sharon Rapport, CSH) We support this change. (Andy Madeira, Eden Housing Inc.) We support the stipulated policy goals identified by TCAC staff: to promote integration, prevent conflict with other state and local programs, and ensure programs are in compliance with guidance and principles of the Olmstead decision. However, we have significant concerns with reducing the minimum number of special needs units to 25%. PV recommends changing the minimum number of units designated for special needs populations be 49% to be considered a special needs project. 49% would be consistent with other state programs, like No Place Like Home. The change to 25%, combined with the changes to the Special Needs Housing type, would result in fewer special needs units at a time when California is experiencing greater numbers of people experiencing and falling into homelessness. We are concerned that reducing the number of units may result in supportive housing that does not provide for the necessary on-site services. Lowering the percentage can make services harder to fund and employ a dedicated staff. A developer new to supportive housing and not culturally competent in serving the tenants would not understand navigating adequate service provision, especially if only a few of the project's units serve the population. A developer who has never created supportive housing, let alone housing for people with serious mental illness experiencing chronic homelessness for decades, may not know how important an experienced property manager is to ensure tenants are not evicted or leave in their first year of tenancy. Bringing more developers into the supportive housing industry requires building capacity to create quality supportive housing. Lowering the percentage does not address TCAC staff's concern about the Olmstead decision. The Olmstead case, and the relevant Fair Housing laws regarding integration, promotes fostering opportunities for people with disabilities to live independently. Permanent Supportive Housing achieves this goal, by providing the necessary services to support residents in their	

goals, connects folks with the wider community, while providing a safe and independent living opportunity, that otherwise is not available. Based on the shortage of overall affordable housing units in California, reducing the number of special needs units would, in fact, counter this goal. Including Special Needs projects as eligible for the tie-breaker boost for being located in High Resource Areas, would do more to help distribute projects and be part of the solutions addressing Olmstead and Fair Housing distribution. (Amy Anderson, PATH Ventures)

We are opposed to the magnitude of the proposed reduction in units required to be considered special needs housing. While we agree that some reduction, to a still meaningful percent, will give developers greater flexibility to create integrated communities, a 25% target sets the bar too low. MHC would recommend 35%, high enough to dissuade any "convenient" conversion to this housing type by less than qualified sponsors but low enough to support Olmstead integration arguments. We would also note that, as currently drafted in the proposed changes to Very Low Resource areas, it is highly likely that projects in Very Low Resource areas would begin to include 25% special needs to avoid the 30% cap. Again, the 25% bar is simply too low. It is also critical that TCAC consider the dynamic interplay between these proposed changes. (Ed Holder, Mercy Housing)

We were dismayed to note the significant numbers of Special Needs projects that were skipped in both 2017 competitive rounds due to the housing type tiebreaker. We support the combining of the SRO and Special Needs housing types, but we object to the combined effects of capping the new combined housing type goal at 30% and reducing the number of SN units required to qualify as Special Needs. If TCAC amends the Special Needs definition to allow as few as 25% SN units per project, the SN housing type could well end up funding fewer SN units in total than the current regulations. Further, nothing in the current regulations prevents or penalizes a family or senior project from dedicating a minority of its units (25% for example) to serve a special needs population. We are aware of numerous projects that have done so. In the end, we feel that the 25% threshold is a solution in search of a problem and should be abandoned. While we support TCAC's broad position that the tax credit program should not veer towards exclusively funding special needs projects, we do not believe it is good public policy to further constrain the competitive chances of those projects that serve the most needy and difficult to house. The homeless preference in the NP setaside and the SN setaside were intended to ensure that a minimum amount of resources flows to such projects, not set a maximum. In addition, the current proposal runs counter to state and local trends. Numerous local governments, notably the City and County of Los Angeles, have approved substantial new resources specifically to create permanent supportive housing focused on the homeless in recognition of one of the most intractable housing problems in California's urban centers. The State of California is also set to invest new resources into

		these projects via both existing programs (VHHP, MHSA / SNHP) and new programs (SB 3 / MHP-SH, NPLH). While some portion of these projects will use 4% credits and bonds, a significant slice will require 9% credits to be viable. In light of these concerns, we recommend that the qualifying number of SN units for the Special Needs housing type should be set at 49%, which is consistent with HCD's proposed cap for the No Place Like Home Program as noted elsewhere in the Initial Statement of Reasons. (Richard Mandel, California Housing Partnership Corporation)	
91	10325(g)(5)		No changes.
92	10325.5		No changes.
93	10326(g)(3)	We support this change. (Andy Madeira, Eden Housing Inc.)	No changes.
94	10326(g)(5)		No changes.
95	10326(g)(8)(C)	We strongly support. (William Leach and Rusty Leach, Kingdom Development) TCAC should consider what other proxies for rehabilitation need may exist, such as the minimum construction standards and rehabilitation threshold. Otherwise, there is a perverse incentive to serve only poorly	While staff understands the theory that any minimum rehabilitation needs standard could disincentivize project maintenance, staff believes that many other factors, including marketability of the units, counteract any such disincentive. Staff remains more concerned that public resources are not well used to facilitate the purchase or refinance of projects that remain under a TCAC regulatory agreement for as much as 40 additional years and that do

		maintained projects. (Ofer Elitzer, Cox Castle Nicholson) With respect to TCAC's goal that all resyndication projects have at least some minimal rehabilitation need in the near future, all resyndication projects must spend the mandated Minimum Rehabilitation Project Costs of $15,000 in hard costs per unit, which should not be remotely thought of or compared to "effectively a refinancing." In fact, many projects with higher valuations must meet an even higher threshold of "20% of the adjusted basis of the building" test which can easily increase the hard costs far beyond $15,000 per unit, and again, can hardly be considered a refinancing when that money must be spent on hard cost improvements to the project. In addition, many resyndication projects have low average affordability as a result of past CTCAC administrations. Rents and NOI's are depressed with low average affordability. Most responsible owners will spend/invest their operating reserves, replacement reserves, and operating budget into their projects annually and on an ongoing basis in order to maintain them as CTCAC Compliance, lenders, investors, cities, housing authorities, and their customers/tenants expect. After 15 years of operation, those reserve funds are exhausted, and projects must rely solely on the annual operating budget. The annual operating budget is not nearly enough to keep up with ongoing capital repair projects for projects 15 or more years old. As such, the only way to recapitalize the projects, extend their useful lives, and improve them through further investment, is to resyndicate them. Further, instituting a $5,000 per unit floor over the first three years, the Short-Term Work period, is effectively reducing the project's purchase price, robbing the projects of valuable acquisition basis and the corresponding tax credit equity gained therefrom, especially when tax credit equity dollars are the least scarce dollars in each project's capital stack. The CTCAC Regulations should not be restricting the attainment of tax credit equity dollars that are a vital affordable housing financing source. The Regulations should be promoting all avenues to increase the tax credit equity into every affordable housing project for long-term feasibility purposes alone. Today, soft loan dollars are scarce and equity pricing is down due to the threat of tax reform, so the only way to increase equity in projects is to maintain or increase each project's eligible basis. Artificially limiting the eligible basis by an arbitrary figure, which figure does not fit all project's particular needs and circumstances, seems to be pickpocketing the projects of critical, predictable, and plentiful project financing. We believe CTCAC should be welcoming with open arms any affordable housing project owners who, after 15 years of daily operations are investing in substantial and meaningful hard cost improvements that extend the useful lives of their properties, taking care of their customer's homes, and extending the affordability period for another 15 or more years beyond the initial 55-year period. In other words, we need to maintain and invest in the affordable housing we already have. (Thomas Erickson, Highridge Costa Housing Partners) We fully support this change and TCAC's efforts to ensure that resources are used efficiently. (John Fowler, Peoples' Self-Help Housing)	not have significant rehabilitation needs. To the extent that a project's income and reserves are insufficient to keep up with ongoing capital needs, staff believes that the project will have no problem meeting a minimal rehabilitation need of $5000 per unit. It is projects with sufficient cash flow that can keep up with capital needs that will be affected by the proposed change. While this proposed change could reduce a project's acquisition value and eligible as a result of the existing requirement that project equity cover a project's short term work needs, staff stands by the regulatory decision made two years ago that sellers receiving equity distributions should share the burden of the rehabilitation needs with public resources. Otherwise, public resources are simply diverted to private profits. Even in an environment of unlimited 4% tax credits, this would be poor stewardship of the public trust. Staff opposes the suggestion to count ADA and energy efficiency improvements towards the $5000 per unit minimum rehabilitation need. A project is only subject to these upgrade requirements if it resyndicates. The concept of the proposed change is that the project should not resyndicate at all unless is has true rehabilitation needs. As a result, the owner of a project without significant rehabilitation needs and the public can save these upgrade costs. TCAC will continue to count all upgrade expenditures towards the separate requirement for projects to have at least $15,000 per unit in rehabilitation and upgrade expenditures. Staff believes that the $5000 per unit threshold is minimal enough such that it will have little effect on preventing existing general partners from being able to buy out investors. No changes.

		A rehabilitation project often includes far more upgrades than the standard issues identified in a PNA. Specifically, critical infrastructure improvements such as energy efficiency elements, solar panels and related improvements often require considerable investment, but are not addressed in a standard PNA. Consider changing to: “Require projects demonstrate that the combined needs for PNA and energy efficiency upgrades be at least $5000 per unit over the first three years.” (Cynthia Parker, BRIDGE Housing) We understand the reasoning behind these revisions (to disincentives re-syndications after the 15 year compliance period) but are concerned that no consideration is given to the unanticipated consequences of the equity investors that insists on being able to force a sale of such older projects by placing it on the market if the general partner cannot buy out the investor. Such outside purchasers are not necessarily in the best interest of the tax credit program as opposed to having reasonable regulations that allow and encourage the experienced general partners to buy out the investor and retain ownership of the older 9% projects. We recommend that this regulatory change be deferred until 2019 and that further discussions be held with the investors and general partners. (Patrick Sabelhaus, California Council for Affordable Housing)	
96	10326(j)(3)		No changes.
97	10327(c)(2)(A)	Often, adaptive reuse projects are harder than new construction projects; therefore, developer fee limits should be equal to new construction (max of $2.2m), not rehab (max of $2m). State should be encouraging adaptive reuse to meet sustainability goals. This change would create a disincentive for adaptive reuse. (Cynthia Parker, BRIDGE Housing)	While staff supports adaptive reuse projects, it sees no need to encourage such projects. More importantly, adaptive reuse projects vary widely in scope. As a result, staff does not believe it is appropriate to apply the cost adjustment to adaptive reuse projects, and only projects subject to the high cost adjustment are eligible for the higher base developer fee limit. No changes.
98	10327(c)(2)(B)(ii)	This change will make projects less attractive to developers doing rehab projects in California and may entice developers to inflate their spending in order to hit the $25,000 per unit minimum, thus wasting needed resources. (Michael Hudson and Owen Metz, Dominium) We are not proponents of arbitrarily increasing the per unit threshold to increase the developer fee, which increased threshold prevents an increase in eligible basis and cost the projects valuable tax credit equity, and which increased developer fee is another critical and predictable long-term financing source. Everyone acknowledges soft loan dollars are extremely scarce these days so increasing the threshold only serves to decrease tax credit equity and reduce a sponsor’s ability to utilize deferred developer fee as a long-term financing source. (Thomas Erickson, Highridge Costa	Staff continues to believe that the developer fee should be commensurate with the work and that a rehabilitation project with less than $25,000 per unit in work does not deserve a higher developer fee. Staff notes that reducing the developer fee will save the needed resources the commenter is concerned about. In addition, a smaller developer fee will actually reduce financing gaps because any additional basis from a higher developer fee would cover only 30-40% of the additional costs of the higher developer fee. Staff is not aware that this proposed change will have any impact on an existing general partner’s ability to buy out an investor.

		Housing Partners) We support this proposal. (Cynthia Parker, BRIDGE Housing) We understand the reasoning behind these revisions (to disincentives re-syndications after the 15 year compliance period) but are concerned that no consideration is given to the unanticipated consequences of the equity investors that insists on being able to force a sale of such older projects by placing it on the market if the general partner cannot buy out the investor. Such outside purchasers are not necessarily in the best interest of the tax credit program as opposed to having reasonable regulations that allow and encourage the experienced general partners to buy out the investor and retain ownership of the older 9% projects. We recommend that this regulatory change be deferred until 2019 and that further discussions be held with the investors and general partners. (Patrick Sabelhaus, California Council for Affordable Housing)	No changes.
99	10327(c)(2)(C)	The regulations are intended to discourage applicants from splitting up a project into phases in order to increase the total developer fee. However, there are legitimate reasons to simultaneously build two separately financed projects next to each other that we don't believe should qualify as "simultaneously phased development" and should be excepted. Examples include: projects of different housing types, particularly senior next to family; a new construction project next to an acq/rehab; or separately financed special needs projects serving different populations. (Alice Talcott, MidPen Housing) We understand that TCAC is proposing this change for one specific project (since it is unlikely that many other projects would qualify). Related is currently working with Mercy Housing on a large scale public housing redevelopment in which the phasing could be expedited if the individual phases qualified for an exception to the developer fee rule for simultaneously-phased developments. As such, we propose an exception to the developer fee rule for simultaneously phased developments, whether they be all-9% or all-4%, when the preceding phase is at least 80 units. Alternatively, the exception could be made for projects in which at least 75% of the low-income units are replacing existing affordable housing. (Bill Witte and Frank Cardone, Related California) We encourage TCAC to further clarify the contemplated "increase [of] developer fee in basis, but not in cost, at placed-in-service." The most likely scenario that would benefit from this change is stated as an instance where "the developer of a 4% tax credit project does not claim all eligible basis from the developer fee at reservation." When and where does this occur, in particular at reservation? We can see this happening post reservation on a 4% deal that experiences cost increases. Alternatively, we encourage TCAC to allow gross developer fee to be increased post-reservation with a cap on actual cash developer fee, limited to the projected cash fee at application. This would allow developers to generate additional basis and additional sources of equity to the benefit of the deal	While there may be other reasons for a developer to split up a project, staff is not in a position to know why a project is split and does not agree that projects in which the first 9% phase is less than 150 units should receive a second developer fee. Moreover, with some of the examples provided, the project could be structured as a single project. Lastly, the hybrid structure that the proposed changes incentivize provides an alternative method to speed up large scale projects. Staff initially proposed the language relating to increases in developer fee in basis at placed in service to relate solely to the situation where the developer of a 4% project does not claim all eligible basis from the developer fee at reservation. While rare, this has occurred. Staff is however sympathetic to 2016 and later non-competitive projects to offset higher costs by generating additional 4% credits from a higher developer fee that reflects the higher costs, provided that the sum of all related party permanent funding sources from the initial application is maintained and the entire increase is additionally deferred or contributed as equity to the project. In other words, any increase must remain with the project to pay higher costs unrelated to the developer fee and may not supplant other related party sources of financing. Staff proposes an amendment accordingly. Whereas pre-2016 projects were approved under regulations that never allowed the fee to exceed $2.5 million, staff is not supportive of extending this allowance to pre-2016 projects.

		and its ultimate beneficiaries. (Brian D'Andrea, Century Housing) We are supportive of this change but urge that it be clarified and expanded. We believe the intention of this proposed regulation change is that if the eligible basis of the project increases between the time of application and placed in service, that the increased basis can be used to increase the allowable developer fee in basis to reflect 15% of the increased rehabilitation basis. We would urge that this be more clearly articulated. This would be extremely beneficial, as it is likely that if the total cost of the project has grown between the time of application and placed in service that the General Partner contributed more debt or equity out-of-pocket or that the Developer has deferred more fee than it had intended at the time of application. Utilizing this provision would increase the delivery of tax credits to the investor, and the additional equity paid in through an upward adjustor could be used to make whole the General Partner and/or the Developer, to the extent that there was an upward adjustor. Just to be clear, we would expect that the net developer fee payable would not exceed what was originally represented in the application. We would also suggest that this proposed regulation change be expanded to encompass rule changes. For example, if a 4% tax credit project originally applied under the $2.5 million cap of developer fee eligible basis, but the rule change now allows for the developer fee calculation of up to 15% in eligible acquisition and rehabilitation basis, we would ask that the regulation change be written to accommodate this. This resizing of the developer fee at placed in service would be an important tool that would allow developers to mitigate more of the risk of very challenging acquisition-rehabilitation projects by allowing the project to tap more limited partner equity. Again, just to be clear, we would expect that the net developer fee payable would not exceed what was originally represented in the application. (Andy Madeira, Eden Housing Inc.)	
100	10327(c)(5)	We support this change. (Andy Madeira, Eden Housing Inc.)	No changes.
101	10327(c)(5)(A)		No changes.
102	10327(c)(5)(B)		No changes.

103	10327(c)(5)(B)(7)		No changes.
104	10327(c)(5)(B)(8)		No changes.
105	10327(c)(5)(B)(9)		No changes.
106	10327(c)(5)(C)		No changes.
107	10327(c)(5)(D)	There are many environmental problems other than soil remediation that warrant the ability to access additional tax credits to help pay for these costs. We have used this specific basis boost previously for items other than soil remediation as certified by the project architect. Other types of environmental problems include highly expansive or collapsible soil conditions, wetlands mitigation, rock blasting, radon or arsenic abatement, and elevation of a site with fill to remove it from the flood plain. In a world where there are fewer and fewer available sites, we find that environmental problems are becoming more and more common. Please maintain this basis boost to help us deal with these issues. (Caleb Roope, Pacific West Communities)	While staff is agreeable to providing a threshold basis limit increase for many of items suggested in the comment, staff remains concerned that the current term "mitigation" is too broad. As an alternative, staff proposes an amendment to refer to "on-site toxic or other environmental mitigation." This ensures that off-site improvements that may be required as part of the CEQA process are ineligible.
108	10327(c)(5)(F)	I am supportive. (Jesse Slansky, West Hollywood Community Housing Corporation) I strongly support the opportunity area changes. You are using the correct methodology. (William Leach, Kingdom Development) Our company agrees with promoting development of affordable housing in high opportunity areas. This change appropriately addresses the additional costs associated with building affordable housing in high resource areas. (Kristoffer Kaufmann, Highland Property Development) We have no problem with increasing the threshold basis for projects deemed to be in high opportunity areas, and believe this would be a reasonable incremental incentive to offer in areas that TCAC deems underserved. (Thomas Collishaw, Self-Help Enterprises) We do not support use of the Opportunity Maps in the rural set-aside, but if TCAC moves forward with the use of the proposed Opportunity Maps for any other regions, the proposed threshold basis increase may be an	Staff finds convincing the argument that the cost difference between highest and high resource areas is marginal. Staff proposes an amendment to provide a 10% threshold basis limit increase to projects in both highest and high resource areas, as opposed to a graduated increase. Staff proposes an amendment to increase from $350,000 to $400,000 the unadjusted threshold basis limit for a 2-bedroom unit at which the increase for higher opportunity locations is no longer available. The previous threshold was set based on 2017 threshold basis limits, which could increase significantly in 2018. To address the concerns that resource area designations may change over time as data or methodology is updated and negatively affect investment decisions based on a prior iteration of the maps, staff proposes an amendment to allow an applicant to choose to utilize the census tract's resource designation from a TCAC/HCD Opportunity Area Map in effect in either of the two calendar years prior to application. Essentially, this allows an applicant to pick the

		appropriate way to incentivize and mitigate challenges of developing in higher-cost areas often associated with higher opportunity. (Rob Wiener, California Coalition for Rural Housing) We disagree with the recommended basis boost. This rule will upset the balance of resources and will favor large metropolitan areas, pulling resources away from smaller communities. (John Fowler, Peoples' Self-Help Housing) We support this change. We understand the defining role that neighborhoods play in accessing opportunities in education, employment, health and wealth. As President Barack Obama stated in introducing HUD's Affirmatively Furthering Fair Housing rule: "Where people live determines what opportunities they have in life. In some cities, kids living just blocks apart lead incredibly different lives. They go to different schools, play in different parks, shop in different stores, and walk down different streets. And often, the quality of those schools and the safety of those parks and streets are far from equal – which means those kids aren't getting an equal shot in life." We support the TCAC goals of increasing access to opportunity for families of modest means by developing more affordable homes for families in areas with greater resources. Affordable housing investments determine where many families of modest means live, and currently in California, these families have limited housing choice for the types of neighborhoods in which they can find affordable housing. The proposed regulations will provide families of modest means with access to affordable housing in areas of high opportunities, thereby advancing our state and our nation's goals to end segregation and affirmatively further fair housing. (Scott Chang, Housing Rights Center; Caroline Peattie, Fair Housing Advocates of Northern California) We feel that developers should be given time to adjust to the changes made to the Opportunity Area Maps. Developers should be given at least two years to accommodate proposed changes that could impact their projects. Affordable developers have provided significant investments in land and other predevelopment project costs within the last two years with specific strategies of obtaining 9% credits, and changing the rules to the competition should be phased in. (James Silverwood, Affirmed Housing) One of the most significant barriers to building affordable housing in areas of "higher opportunity" is cost. Allowing a basis boost for TCAC projects located in such areas would be very helpful without creating a disadvantage to projects in other areas. (Rural Smart Growth Task Force) The Threshold Basis Limits, in general, are already too low and do not accurately reflect actual development costs. To help ensure financial feasibility of developments in the "highest" and "high" resource areas, we recommend providing a threshold basis limit (TBL) boost based on the findings of the California Housing Partnership's analysis of total development costs of large-family, new construction developments	highest designation from a three-year period prior to and including the year of application. This allowance to use earlier maps does not apply to the UC Davis Regional Opportunity Index cited in the regulations for 2017. Staff does not support the suggestion to provide an increase greater than 10% to new construction large family projects located in higher resource areas. While staff is supportive of allowing somewhat higher costs to achieve the public benefit of improving opportunity and choice for low-income families, that benefit needs to be balanced against the imperative to contain costs. Nor does staff support an increase that varies by region. Such variation is unnecessarily complicated. Staff notes that the table mentioned in the comments includes land costs, which are not relevant to the threshold basis limit concept. Staff proposes to phase in the tiebreaker and housing type goal proposals, but sees no need to phase in this change. Moreover, a modified version of this threshold basis increase is currently in place. Staff does not agree that this change is likely to pull resources away from smaller communities. To the extent that higher resource locations are more likely to be located in more suburban locations, staff believes the opposite is more likely to be true. In any event, staff believes the interest in achieving a more proportional representation of large family projects in higher resource areas outweighs either concern.

allocated 9% credits since 2000 and placed in service. The TBL boost would vary by region in line with actual cost premiums observed in the data but—at a minimum—would also maintain TCAC's current uniform TBL boost of 10% for developments in "highest" resource tracts, as well as TCAC's proposed 5% boost for "high" resource tracts, in all regions. TCAC's current uniform TBL boost of 10% for developments in "highest" resource tracts is not proportional to the cost premiums that developers have historically incurred even in the top 40% of tracts in some regions, nor does it account for regional differences in these cost premiums. It is also possible that cost premiums are even higher than shown in the table, since the California Housing Partnership's cost analysis is based on completed developments and does not account for cases where developers made investments during predevelopment but were forced to abandon projects due to lengthy entitlement processes, local opposition, or other challenges that are more common in higher resource areas. If TCAC is unable to make changes to the TBLs based on the table, we propose, as a compromise, that TCAC increase the TBL boost to 10% for projects in both highest and high resource tracts to account for the added development costs in such tracts. (Amie Fishman, Non-Profit Housing Association of Northern California)

Given evidence demonstrating that children gain great benefit from access to high opportunity areas, we support the goal of building family housing in high opportunity areas. We support the threshold basis limit increase for projects in high resource areas, and recommend it be 10% instead of 5%, to align with the boost for projects in highest resource areas. Costs in high resources areas will likely be higher than statewide averages, and the current threshold basis limits are already out of sync with actual construction costs, so such a boost would be helpful for project feasibility. (Cynthia Parker, BRIDGE Housing)

These basis boosts should be further analyzed to see if they are sufficient and fair. We also believe that we should consider offering the same level of basis boost for the entire top 40% of wealthy census tracts in the state. It appears that TCAC is providing the basis boost in order to try to offset the total development costs of developing in wealthy areas. The biggest barrier to development in wealthy areas is the cost of land. Even in smaller cities and rural areas, the land in question is going to be substantially more expensive (especially on a per unit basis after factoring in decreased zoning). Thus, we believe that it hurts small and rural areas from being excluded from this basis boost. (Sylvia Martinez, Community Housing Works)

We support SCANPH's analysis and proposal regarding the increase in TBL for High and Highest Resource areas to align with actual costs differences in High and Highest Resourced areas compared to lower resourced areas. (Amy Anderson, PATH Ventures)

We are agreeable to this change. However, we would also note that basis

		limits continue to lag actual hard cost escalation, even as the industry looks for more cost-effective ways to deliver housing. (Ed Holder, Mercy Housing) We support TCAC's proposal to increase TBLs for large-family new construction projects in high and highest resource areas. However, the proposed 5% boost for high resource area developments and 10% boost for highest resource area developments are not—in most regions—proportional to the cost premium that developers have historically faced in creating large-family new construction projects in these areas. Our analysis of per-bedroom development costs of more than 450 large-family, new construction developments allocated 9% credits 2000-2014 and placed in service show significantly higher cost premiums for both high and highest resource area projects in some regions. We understand the need and political pressure to contain costs, but we are concerned that without more accurate, data-based incentives such as the ones we are proposing, developers will not have the financial tools they need to change their selection of sites. For this reason, we recommend TCAC provide TBL boosts for high and highest resource tracts in line with actual cost premiums observed in the data—either a uniform regional boost in line with the results of the "high + highest vs. median" section of our analysis, or separate boosts for high and highest resource area projects in line with their respective results in our analysis. In addition, we recommend minimum TBL boosts in each region in line with TCAC's existing proposal of 10% for highest resource areas and 5% for high resource areas. We also urge TCAC to implement the following financial feasibility supports for large-family new construction projects in high and highest resource areas, especially if it is unwilling to provide TBL boosts proportional to cost premiums that developers have historically faced in these areas 1) Raise the $2.5 million per-project cap on 9% credits to $3 million for large-family new construction developments with at least 75 units in high and highest resource areas. 2) Allow large family new construction developments in high and highest resource areas to receive 110% of the maximum developer fee that is currently allowed to be included in project costs per TCAC regulations, remaining subject to the 15% of unadjusted eligible basis limits, up to 110% of the $2,200,000 limit (i.e., up to $2,420,000). (Richard Mandel, California Housing Partnership Corporation)	
109	10327(c)(6)	The circumstance where an application for a rehabilitation project is in contract for purchase price in excess of appraised value and the purchase price does not exceed the sum of third party debt encumbering the property that will be assumed or paid off should be allowed on its face without requiring a waiver by the executive director. (Kevin Knudtson and Elissa Dennis, Community Economics) Eden opposes this change, as this limits our ability to add the reserves and any improvements made after the appraisal to the purchase price and, consequently, acquisition basis. Being able to capture the value of the reserves, which are not captured in the appraised value, and the value of	Staff prefers to maintain a waiver process for any project seeking to be underwritten using a purchase price higher than appraised value in order to avoid abuse. Staff does not agree that related party debt should be allowed in excess of appraised value. This would allow an applicant to add debt to a project in anticipation of a tax credit application to avoid the limitation on acquisition value to appraised value and generate more basis. That would be an inappropriate use of the authority. The proposed change does not affect an applicant's ability to

		improvements made after the appraisal, has been an important tool for us. (Andy Madeira, Eden Housing Inc.) We understand that the proposed regulation change would require that public funds be discounted by the difference between the purchase price and appraised value, with specific exceptions. We understand that one exception will be resyndications where the third-party debt exceeds the value. We request that you also include related-party debt when that debt will be assumed as a 55-year soft loan with residual receipts or deferred payment. We understand your concern regarding windfall gains at resyndications and concur that related-party debt included in this exception should not be short-term and payable to the sponsor right away. However, a long-term residual receipts loan does not enrich the seller/developer given that often projects facing this situation have poor cash flow and do not make robust residual receipts loan payments. For developers, it is important that the properties assume any related-party debt in order to protect their balance sheets. If the sponsor cannot assume the loan(s), they would have to write off the loan, which has a negative impact on the organization's net assets. Therefore, we recommend that long-term residual receipt related-party debt be included with third-party debt in the exception for resyndications. (Richard Mandel, California Housing Partnership Corporation)	purchase reserves. Reserves are considered separately from land and improvement values and not compared to the appraisal, provided that the applicant lists the reserve amount on a separate line item in the acquisition section of the sources and uses budget. In order to realize the stated intention that TCAC will not subsidize an applicant's choice to pay higher than appraised value (absent a waiver), staff proposes an amendment such that only the soft permanent financing will be reduced by the overage when making the shortfall calculation. Hard debt is sized based on net project income, not other capital financing. To the extent that TCAC were to reduce hard debt in the absence of sufficient soft financing to cover the overage, TCAC would inappropriately be assuming a reduction in hard debt and would again be subsidizing the overage. The concept here is that some soft funding source, including developer sources, must pay for the overage. If no such soft funding exists, TCAC will reduce its credit award so as not to subsidize the overage.
110	10327(c)(7)		No changes.
111	10327(c)(10)(A)	This continues to be confusing, particularly when applied to specific project circumstances. We have found this section to be very time consuming, even for projects that are already taking a large voluntary basis reduction that is clearly larger than any excess parking costs could possibly be. We recommend that the regulations allow for TCAC to make corrections to the application in this area given the highly confusing nature of this section, particularly if the outcome does not affect the credit request because of a voluntary basis reduction. Areas where we have had questions include: 1) When jurisdictions allow parking requirements to be met through existing on-street parking toward the project parking count, does that count toward the required parking counts for TCAC purposes? 2) If parking costs are required to be excluded from basis, where is that evidenced in the application, and are they also excluded from the high cost test? It is not listed under the "Ineligible Amounts" on the Basis and Credits tab. Should it be excluded as a "non-greyed out" item on the Sources and Uses tab, even though the exclusion is required by TCAC but not by federal law? This changes its' treatment in the high cost test, as one is before the calculation of Eligible Basis and one is after. This needs to be made clear. (Alice Talcott, MidPen Housing)	Section 10327(a) of the regulations already allows TCAC to adjust costs and corresponding basis within TCAC limits at any time. With respect to the first question, the existing language refers to the proportionate "cost of parking." Since existing on-street parking would have no cost, TCAC would not consider such on-street parking spaces when applying the ratios. With respect to the second question, TCAC expects to see the reduction in basis related to excess parking displayed in the "other ineligible amounts" lines in Section A of the Basis and Credits Page. The reduction is an ineligible amount rather than a voluntary reduction, as a voluntary reduction would benefit the project's tiebreaker inappropriately. Since the costs are real, they should apply to the high-cost test. No changes.

112	10327(c)(10)(B)		No changes.
113	10327(d)(2)		No changes.
114	10327(f)		No changes.
115	10327(g)(1)		No changes.
116	10327(g)(3)	We support this change. (Alice Talcott, MidPen Housing) We support this change in particular on special needs deals that feature a committed source of rental subsidy. In these instances, a 5% vacancy rate is sufficient. This is evidenced by the fact that investors and lenders underwrite to a 5% vacancy rate despite TCAC's 10% vacancy requirement. (Brian D'Andrea, Century Housing) We support this proposal. (Cynthia Parker, BRIDGE Housing)	No changes.
117	10327(g)(6)		No changes.
118	10328(g)(8)	We strongly support this change and urge TCAC to consider including other unforeseeable, human-caused disasters outside the sponsor's control. All potential credit exchanges will still be subject to approval by the Executive Director, but the addition of "force majeur" allows for more flexibility in the event of other unforeseen situations. (Supportive Housing Alliance; Vanessa Luna and Cristian Alexis Ahumada, Clifford Beers Housing; Ben Rosen, Skid Row Housing Trust) We are strongly in support of this change. We do wonder if the definition of "act of God" would not cover man-made disasters that could still be	Staff does not support the proposal to allow credit year exchanges for any "force majeur" or event beyond the developer's control. In staff's experience, no developer has ever admitted to delay being within their control, and TCAC has no good means to differentiate between legitimate and illegitimate requests. Acts of nature present no such difficulty. Staff believes that an act of terrorism could be considered an act of war. Staff in uncomfortable with "vandalism" as it is a very broad term and staff is aware of few acts of vandalism outside of fire that

		outside of developer control. Examples include damage caused by a crane falling onto a site or a flood caused by sabotage or vandalism. We suggest the definition should encompass damage caused by "force majeure" which we believe could cover these instances. Because approval of the exchange would still be at the discretion of the Executive Director, we think a broader definition is appropriate. We are also wondering if the definition should include projects within state or federally designated disaster areas – or does federal law already allow that so it's not needed? (Amie Fishman, Non-Profit Housing Association of Northern California; Alice Talcott, MidPen Housing) We support this change that addresses extraordinary events that are beyond an owner's control which serve to place in jeopardy the delivery of a project within the prescribed PIS deadline. (Brian D'Andrea, Century Housing) We support this proposal with the addition of "force majeure" to account for man-made damage from such things as vandalism. (Cynthia Parker, BRIDGE Housing) We suggest adding "Vandalism" and "Terrorism" to the list of potential casualties which could significantly delay a project's completion. (Bill Witte and Frank Cardone, Related California) We support this change. (Andy Madeira, Eden Housing Inc.) We strongly support this change. We encourage broadening this language to include "force majeure," as such unforeseeable accidents, such as explosion, which are outside the developer's control and can cause significant delays. We note that the Executive Director would continue to maintain sole discretion to approve such incidents. (Amy Anderson, PATH Ventures) We support this proposed change. We recommend, however, that TCAC consider broader language to encompass other unforeseeable, human-caused disasters outside of the sponsor's control. We recommend adding "force majeure." The Executive Director would still have the discretion to approve or disapprove the request in his/her sole discretion. (Richard Mandel, California Housing Partnership Corporation)	would significantly delay a project. No changes.
119	10330(b)		Staff proposes an amendment to delete the time limit on extensions requested by the appellant to accommodate a meeting. In staff's experience, appellants have sought to delay the Executive Director's response by more than two weeks to accommodate travel schedules or other needs. The Executive Director will have the discretion to establish the length of the extension when such a request is made.

120	10335(c)		No changes.
121	10335(g)		No changes.
122	10337(a)(3)(A)		No changes.
123	10337(a)(3)(B)		No changes.
124	10337(b)(3)	We support this proposal. Our residents want to take the final step out of poverty. (James Tracy, Community Housing Partnership) We fully support TCAC's efforts to allow homeless youth to be full-time students as a path to personal advancement. (John Fowler, Peoples' Self-Help Housing) We support this proposal. (Cynthia Parker, BRIDGE Housing) We appreciate the flexibility TCAC staff are adding to this section and agrees with the changes proposed. As tenants would have to meet the definition of "homeless youth" under State law to be a full-time student in a TCAC building, we believe the changes still promote the intent of federal tax credit law. (Sharon Rapport, CSH) We support this change. (Andy Madeira, Eden Housing Inc.)	No changes.
125	10337(c)(1)		No changes.

126	10337(f)(3)		No changes.
127	10317(a)		In light of the passage of AB 571, staff proposes an amendment to conform the regulations to the new statute establishing the state credit rate for 4% projects seeking state farmworker credits at 75%.
128	10317(c)		In light of the passage of AB 571, staff proposes an amendment to conform the regulations to the new statute allowing 4% projects seeking state farmworker credits to receive the 130% federal basis boost. The substantive amendments are in Section 10317(a) and (d). The amendment to this section is a conforming amendment.